



HEALTH ANNUAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2011
OF THE CONDITION AND AFFAIRS OF THE
Unison Health Plan of Tennessee, Inc.

NAIC Group Code07070707NAIC Company Code11139Employer's ID Number62-1839257

(Current)(Prior)

Organized under the Laws ofTennessee, State of Domicile or Port of EntryTennessee

Country of DomicileUnited States of America

Licensed as business type:Health Maintenance Organization

Is HMO Federally Qualified? Yes [] No [X]

Incorporated/Organized08/09/2000Commenced Business07/01/2001

Statutory Home Office3175 Lenox Park Blvd., Suite 400Memphis, TN 38115

(Street and Number)(City or Town, State and Zip Code)

Main Administrative OfficeUnison Plaza, 1001 Brinton Rd.

(Street and Number)

Pittsburgh, PA 15221901-248-1900

(City or Town, State and Zip Code)(Area Code) (Telephone Number)

Mail AddressUnison Plaza, 1001 Brinton Rd.Pittsburgh, PA 15221

(Street and Number or P.O. Box)(City or Town, State and Zip Code)

Primary Location of Books and RecordsUnison Plaza, 1001 Brinton Rd.

(Street and Number)

Pittsburgh, PA 15221412-858-4000

(City or Town, State and Zip Code)(Area Code) (Telephone Number)

Internet Website Addresswww.unisonhealthplan.com

Statutory Statement ContactJeffrey Brian Snelling412-501-0428

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OFFICERS

PresidentScott Andrew Bowers

Chief Financial OfficerJames Wesley Waters

SecretaryChristina Regina Palme-Krizak

TreasurerRobert Worth Oberrender

OTHER

Michelle Marie Huntley Dill Assistant Secretary

DIRECTORS OR TRUSTEES

Rodney Charles Armstead

Scott Andrew Bowers

Steven Eugene Meeker #

State ofTennessee

County ofWilliamson

State ofMinnesota

County ofHennepin

State ofTennessee

County ofWilliamson

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

Scott Andrew Bowers
President

Michelle Marie Huntley Dill
Assistant Secretary

James Wesley Waters
Chief Financial Officer

Subscribed and sworn to before me this
day of

Subscribed and sworn to before me this
day of

Subscribed and sworn to before me this
day of

- a. Is this an original filing?..... Yes [X] No []
- b. If no,
1. State the amendment number.....
2. Date filed.....
3. Number of pages attached.....

ASSETS

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 Net Admitted Assets
1. Bonds (Schedule D)	5,849,592		5,849,592	6,308,630
2. Stocks (Schedule D):				
2.1 Preferred stocks			0	0
2.2 Common stocks			0	0
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens			0	0
3.2 Other than first liens			0	0
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ encumbrances)			0	0
4.2 Properties held for the production of income (less \$ encumbrances)			0	0
4.3 Properties held for sale (less \$ encumbrances)			0	0
5. Cash (\$927,929 , Schedule E - Part 1), cash equivalents (\$, Schedule E - Part 2) and short-term investments (\$3,836 , Schedule DA)	931,765		931,765	7,445,059
6. Contract loans, (including \$ premium notes)			0	0
7. Derivatives (Schedule DB)			0	0
8. Other invested assets (Schedule BA)			0	0
9. Receivables for securities			0	0
10. Securities lending reinvested collateral assets (Schedule DL)			0	0
11. Aggregate write-ins for invested assets	0	0	0	0
12. Subtotals, cash and invested assets (Lines 1 to 11)	6,781,357	0	6,781,357	13,753,689
13. Title plants less \$ charged off (for Title insurers only)			0	0
14. Investment income due and accrued	74,271		74,271	79,644
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection			0	809,096
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ earned but unbilled premiums)			0	0
15.3 Accrued retrospective premiums			0	0
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers			0	0
16.2 Funds held by or deposited with reinsured companies			0	0
16.3 Other amounts receivable under reinsurance contracts			0	0
17. Amounts receivable relating to uninsured plans			0	6,949
18.1 Current federal and foreign income tax recoverable and interest thereon	555,374		555,374	0
18.2 Net deferred tax asset	177,668		177,668	94,471
19. Guaranty funds receivable or on deposit			0	0
20. Electronic data processing equipment and software			0	0
21. Furniture and equipment, including health care delivery assets (\$)			0	0
22. Net adjustment in assets and liabilities due to foreign exchange rates			0	0
23. Receivables from parent, subsidiaries and affiliates	299,264	236,464	62,800	0
24. Health care (\$0) and other amounts receivable	102,398	102,398	0	196,609
25. Aggregate write-ins for other than invested assets	0	0	0	172,775
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	7,990,332	338,862	7,651,470	15,113,232
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			0	0
28. Total (Lines 26 and 27)	7,990,332	338,862	7,651,470	15,113,232
DETAILS OF WRITE-INS				
1101.				
1102.				
1103.				
1198. Summary of remaining write-ins for Line 11 from overflow page	0	0	0	0
1199. Totals (Lines 1101 thru 1103 plus 1198)(Line 11 above)	0	0	0	0
2501. State Income Tax Receivable	0		0	172,775
2502.				
2503.				
2598. Summary of remaining write-ins for Line 25 from overflow page	0	0	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598)(Line 25 above)	0	0	0	172,775

LIABILITIES, CAPITAL AND SURPLUS

	Current Year			Prior Year
	1	2	3	4
	Covered	Uncovered	Total	Total
1. Claims unpaid (less \$ reinsurance ceded)			0	7,103,801
2. Accrued medical incentive pool and bonus amounts			0	0
3. Unpaid claims adjustment expenses.....			0	156,352
4. Aggregate health policy reserves, including the liability of \$ for medical loss ratio rebate per the Public Health Service Act			0	531,258
5. Aggregate life policy reserves.....			0	0
6. Property/casualty unearned premium reserves.....			0	0
7. Aggregate health claim reserves.....			0	188,029
8. Premiums received in advance.....			0	0
9. General expenses due or accrued.....	149,346		149,346	166,240
10.1 Current federal and foreign income tax payable and interest thereon (including \$0 on realized capital gains (losses))			0	211,418
10.2 Net deferred tax liability.....			0	0
11. Ceded reinsurance premiums payable.....			0	0
12. Amounts withheld or retained for the account of others.....			0	0
13. Remittance and items not allocated.....			0	0
14. Borrowed money (including \$ current) and interest thereon \$ (including \$ current).....			0	0
15. Amounts due to parent, subsidiaries and affiliates.....	1,434		1,434	985,115
16. Derivatives.....			0	0
17. Payable for securities.....			0	0
18. Payable for securities lending			0	0
19. Funds held under reinsurance treaties (with \$ authorized reinsurers and \$0 unauthorized reinsurers).....			0	0
20. Reinsurance in unauthorized companies.....			0	0
21. Net adjustments in assets and liabilities due to foreign exchange rates			0	0
22. Liability for amounts held under uninsured plans.....			0	33,760
23. Aggregate write-ins for other liabilities (including \$352,339 current).....	352,339	0	352,339	50
24. Total liabilities (Lines 1 to 23).....	503,119	0	503,119	9,376,022
25. Aggregate write-ins for special surplus funds.....	XXX	XXX	0	0
26. Common capital stock.....	XXX	XXX	100	100
27. Preferred capital stock.....	XXX	XXX		
28. Gross paid in and contributed surplus.....	XXX	XXX	2,989,400	2,989,400
29. Surplus notes.....	XXX	XXX		0
30. Aggregate write-ins for other than special surplus funds.....	XXX	XXX	0	0
31. Unassigned funds (surplus).....	XXX	XXX	4,158,851	2,747,710
32. Less treasury stock, at cost:				
32.1 shares common (value included in Line 26 \$)......	XXX	XXX		
32.2 shares preferred (value included in Line 27 \$)......	XXX	XXX		
33. Total capital and surplus (Lines 25 to 31 minus Line 32).....	XXX	XXX	7,148,351	5,737,210
34. Total liabilities, capital and surplus (Lines 24 and 33)	XXX	XXX	7,651,470	15,113,232
DETAILS OF WRITE-INS				
2301. Unclaimed Property	20		20	50
2302. Other Payable	352,319		352,319	0
2303.				
2308. Summary of remaining write-ins for Line 23 from overflow page	0	0	0	0
2309. Totals (Lines 2301 thru 2303 plus 2308)(Line 23 above)	352,339	0	352,339	50
2501.	XXX	XXX		
2502.	XXX	XXX		
2503.	XXX	XXX		
2598. Summary of remaining write-ins for Line 25 from overflow page	XXX	XXX	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598)(Line 25 above)	XXX	XXX	0	0
3001.	XXX	XXX		
3002.	XXX	XXX		
3003.	XXX	XXX		
3098. Summary of remaining write-ins for Line 30 from overflow page	XXX	XXX	0	0
3099. Totals (Lines 3001 thru 3003 plus 3098)(Line 30 above)	XXX	XXX	0	0

STATEMENT OF REVENUE AND EXPENSES

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member Months.....	XXX	0	40,649
2. Net premium income (including \$ non-health premium income)	XXX	(745,536)	44,927,390
3. Change in unearned premium reserves and reserve for rate credits	XXX	531,258	237,315
4. Fee-for-service (net of \$ medical expenses)	XXX	0	0
5. Risk revenue	XXX	0	0
6. Aggregate write-ins for other health care related revenues	XXX	0	0
7. Aggregate write-ins for other non-health revenues	XXX	0	0
8. Total revenues (Lines 2 to 7)	XXX	(214,278)	45,164,705
Hospital and Medical:			
9. Hospital/medical benefits		(1,934,448)	24,617,305
10. Other professional services		(574,542)	4,062,941
11. Outside referrals		0	0
12. Emergency room and out-of-area		(128,875)	1,056,668
13. Prescription drugs		(45,981)	3,508,079
14. Aggregate write-ins for other hospital and medical	0	0	0
15. Incentive pool, withhold adjustments, and bonus amounts		0	0
16. Subtotal (Lines 9 to 15)	0	(2,683,846)	33,244,993
Less:			
17. Net reinsurance recoveries		0	(9,999)
18. Total hospital and medical (Lines 16 minus 17)	0	(2,683,846)	33,254,992
19. Non-health claims (net)			
20. Claims adjustment expenses, including \$0 cost containment expenses		(156,352)	1,674,101
21. General administrative expenses		257,267	4,989,212
22. Increase in reserves for life and accident and health contracts (including \$ increase in reserves for life only)		0	0
23. Total underwriting deductions (Lines 18 through 22)	0	(2,582,931)	39,918,305
24. Net underwriting gain or (loss) (Lines 8 minus 23)	XXX	2,368,653	5,246,400
25. Net investment income earned (Exhibit of Net Investment Income, Line 17)		106,540	116,538
26. Net realized capital gains (losses) less capital gains tax of \$1,304		2,422	0
27. Net investment gains (losses) (Lines 25 plus 26)	0	108,962	116,538
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$) (amount charged off \$)]			
29. Aggregate write-ins for other income or expenses	0	0	0
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29)	XXX	2,477,615	5,362,938
31. Federal and foreign income taxes incurred	XXX	825,320	1,870,576
32. Net income (loss) (Lines 30 minus 31)	XXX	1,652,295	3,492,362
DETAILS OF WRITE-INS			
0601.	XXX		
0602.	XXX		
0603.	XXX		
0698. Summary of remaining write-ins for Line 6 from overflow page	XXX	0	0
0699. Totals (Lines 0601 thru 0603 plus 0698)(Line 6 above)	XXX	0	0
0701.	XXX		
0702.	XXX		
0703.	XXX		
0798. Summary of remaining write-ins for Line 7 from overflow page	XXX	0	0
0799. Totals (Lines 0701 thru 0703 plus 0798)(Line 7 above)	XXX	0	0
1401.			
1402.			
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page	0	0	0
1499. Totals (Lines 1401 thru 1403 plus 1498)(Line 14 above)	0	0	0
2901.			
2902.			
2903.			
2998. Summary of remaining write-ins for Line 29 from overflow page	0	0	0
2999. Totals (Lines 2901 thru 2903 plus 2998)(Line 29 above)	0	0	0

STATEMENT OF REVENUE AND EXPENSES (Continued)

	1 Current Year	2 Prior Year
CAPITAL AND SURPLUS ACCOUNT		
33. Capital and surplus prior reporting year.....	5,737,210	13,515,917
34. Net income or (loss) from Line 32	1,652,295	3,492,362
35. Change in valuation basis of aggregate policy and claim reserves		
36. Change in net unrealized capital gains (losses) less capital gains tax of \$		
37. Change in net unrealized foreign exchange capital gain or (loss)		
38. Change in net deferred income tax	83,198	6,291
39. Change in nonadmitted assets	(324,352)	(5,919)
40. Change in unauthorized reinsurance	0	0
41. Change in treasury stock	0	0
42. Change in surplus notes	0	0
43. Cumulative effect of changes in accounting principles.....		
44. Capital Changes:		
44.1 Paid in	0	0
44.2 Transferred from surplus (Stock Dividend).....	0	0
44.3 Transferred to surplus.....		
45. Surplus adjustments:		
45.1 Paid in	0	0
45.2 Transferred to capital (Stock Dividend)		
45.3 Transferred from capital		
46. Dividends to stockholders		(11,000,000)
47. Aggregate write-ins for gains or (losses) in surplus	0	(271,442)
48. Net change in capital and surplus (Lines 34 to 47)	1,411,141	(7,778,708)
49. Capital and surplus end of reporting period (Line 33 plus 48)	7,148,351	5,737,210
DETAILS OF WRITE-INS		
4701. SSAP 3 Adjustment		(445,750)
4702. Income Taxes to Surplus		174,308
4703.		
4798. Summary of remaining write-ins for Line 47 from overflow page	0	0
4799. Totals (Lines 4701 thru 4703 plus 4798)(Line 47 above)	0	(271,442)

CASH FLOW

	1	2
	Current Year	Prior Year
Cash from Operations		
1. Premiums collected net of reinsurance	63,560	46,385,978
2. Net investment income	258,510	266,027
3. Miscellaneous income	0	0
4. Total (Lines 1 through 3)	322,070	46,652,004
5. Benefit and loss related payments	4,500,521	34,394,117
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	128,227	9,494,159
8. Dividends paid to policyholders		
9. Federal and foreign income taxes paid (recovered) net of \$1,304 tax on capital gains (losses)	1,593,415	1,846,124
10. Total (Lines 5 through 9)	6,222,163	45,734,400
11. Net cash from operations (Line 4 minus Line 10)	(5,900,093)	917,605
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	316,168	0
12.2 Stocks	0	0
12.3 Mortgage loans	0	0
12.4 Real estate	0	0
12.5 Other invested assets	0	0
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	0	0
12.7 Miscellaneous proceeds	0	0
12.8 Total investment proceeds (Lines 12.1 to 12.7)	316,168	0
13. Cost of investments acquired (long-term only):		
13.1 Bonds	0	0
13.2 Stocks	0	0
13.3 Mortgage loans	0	0
13.4 Real estate	0	0
13.5 Other invested assets	0	0
13.6 Miscellaneous applications	0	0
13.7 Total investments acquired (Lines 13.1 to 13.6)	0	0
14. Net increase (decrease) in contract loans and premium notes	0	0
15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14)	316,168	0
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes	0	0
16.2 Capital and paid in surplus, less treasury stock	0	0
16.3 Borrowed funds	0	0
16.4 Net deposits on deposit-type contracts and other insurance liabilities	0	0
16.5 Dividends to stockholders	0	11,000,000
16.6 Other cash provided (applied)	(929,369)	(672,315)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	(929,369)	(11,672,315)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	(6,513,294)	(10,754,711)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	7,445,059	18,199,769
19.2 End of year (Line 18 plus Line 19.1)	931,765	7,445,059

Note: Supplemental disclosures of cash flow information for non-cash transactions:

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ANALYSIS OF OPERATIONS BY LINES OF BUSINESS

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Net premium income	(745,536)						(745,536)			
2. Change in unearned premium reserves and reserve for rate credit	531,258						531,258			
3. Fee-for-service (net of \$ medical expenses)	0									XXX
4. Risk revenue	0									XXX
5. Aggregate write-ins for other health care related revenues	0	0	0	0	0	0	0	0	0	XXX
6. Aggregate write-ins for other non-health care related revenues	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
7. Total revenues (Lines 1 to 6)	(214,278)	0	0	0	0	0	(214,278)	0	0	0
8. Hospital/medical benefits	(1,934,448)						(1,934,448)			XXX
9. Other professional services	(574,542)						(574,542)			XXX
10. Outside referrals	0									XXX
11. Emergency room and out-of-area	(128,875)						(128,875)			XXX
12. Prescription drugs	(45,981)						(45,981)			XXX
13. Aggregate write-ins for other hospital and medical	0	0	0	0	0	0	0	0	0	XXX
14. Incentive pool, withhold adjustments and bonus amounts	0									XXX
15. Subtotal (Lines 8 to 14)	(2,683,846)	0	0	0	0	0	(2,683,846)	0	0	XXX
16. Net reinsurance recoveries	0									XXX
17. Total medical and hospital (Lines 15 minus 16)	(2,683,846)	0	0	0	0	0	(2,683,846)	0	0	XXX
18. Non-health claims (net)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
19. Claims adjustment expenses including \$0 cost containment expenses	(156,352)						(156,352)			
20. General administrative expenses	257,267						257,267			
21. Increase in reserves for accident and health contracts	0									XXX
22. Increase in reserves for life contracts	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
23. Total underwriting deductions (Lines 17 to 22)	(2,582,931)	0	0	0	0	0	(2,582,931)	0	0	0
24. Total underwriting gain or (loss) (Line 7 minus Line 23)	2,368,653	0	0	0	0	0	2,368,653	0	0	0
DETAILS OF WRITE-INS										XXX
0501.										XXX
0502.										XXX
0503.										XXX
0598. Summary of remaining write-ins for Line 5 from overflow page	0	0	0	0	0	0	0	0	0	XXX
0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above)	0	0	0	0	0	0	0	0	0	XXX
0601.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0602.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0603.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0698. Summary of remaining write-ins for Line 6 from overflow page	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
1301.										XXX
1302.										XXX
1303.										XXX
1398. Summary of remaining write-ins for Line 13 from overflow page	0	0	0	0	0	0	0	0	0	XXX
1399. Totals (Lines 1301 thru 1303 plus 1398) (Line 13 above)	0	0	0	0	0	0	0	0	0	XXX

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 - PREMIUMS

		1	2	3	4
Line of Business		Direct Business	Reinsurance Assumed	Reinsurance Ceded	Net Premium Income (Cols. 1 + 2 - 3)
1.	Comprehensive (hospital and medical)				0
2.	Medicare Supplement				0
3.	Dental only				0
4.	Vision only				0
5.	Federal Employees Health Benefits Plan	0			0
6.	Title XVIII - Medicare	(745,536)			(745,536)
7.	Title XIX - Medicaid	0			0
8.	Other health				0
9.	Health subtotal (Lines 1 through 8)	(745,536)	0	0	(745,536)
10.	Life	0			0
11.	Property/casualty	0			0
12.	Totals (Lines 9 to 11)	(745,536)	0	0	(745,536)

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - CLAIMS INCURRED DURING THE YEAR

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Payments during the year:										
1.1 Direct	4,500,521						4,500,521			
1.2 Reinsurance assumed .....	.0									
1.3 Reinsurance ceded .....	.0									
1.4 Net	4,500,521	.0	.0	.0	.0	.0	4,500,521	.0	.0	.0
2. Paid medical incentive pools and bonuses .....	.0									
3. Claim liability December 31, current year from Part 2A:										
3.1 Direct .....	.0									
3.2 Reinsurance assumed .....	.0									
3.3 Reinsurance ceded .....	.0									
3.4 Net .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
4. Claim reserve December 31, current year from Part 2D:										
4.1 Direct .....	.0									
4.2 Reinsurance assumed .....	.0									
4.3 Reinsurance ceded .....	.0									
4.4 Net .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
5. Accrued medical incentive pools and bonuses, current year .....	.0									
6. Net healthcare receivables (a)	(107,463)						(107,463)			
7. Amounts recoverable from reinsurers December 31, current year .....	.0									
8. Claim liability December 31, prior year from Part 2A:										
8.1 Direct	7,103,801	.0	.0	.0	.0	.0	7,103,801	.0	.0	.0
8.2 Reinsurance assumed .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
8.3 Reinsurance ceded .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
8.4 Net	7,103,801	.0	.0	.0	.0	.0	7,103,801	.0	.0	.0
9. Claim reserve December 31, prior year from Part 2D:										
9.1 Direct	188,029						188,029			
9.2 Reinsurance assumed .....	.0									
9.3 Reinsurance ceded .....	.0									
9.4 Net	188,029	.0	.0	.0	.0	.0	188,029	.0	.0	.0
10. Accrued medical incentive pools and bonuses, prior year	0									
11. Amounts recoverable from reinsurers December 31, prior year	0									
12. Incurred Benefits:										
12.1 Direct	(2,683,846)	.0	.0	.0	.0	.0	(2,683,846)	.0	.0	.0
12.2 Reinsurance assumed .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
12.3 Reinsurance ceded .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
12.4 Net	(2,683,846)	.0	.0	.0	.0	.0	(2,683,846)	.0	.0	.0
13. Incurred medical incentive pools and bonuses	0	.0	.0	.0	.0	.0	0	.0	.0	.0

(a) Excludes \$ 0 loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A - CLAIMS LIABILITY END OF CURRENT YEAR

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Reported in Process of Adjustment:										
1.1 Direct										
1.2 Reinsurance assumed										
1.3 Reinsurance ceded										
1.4 Net										
2. Incurred but Unreported:										
2.1 Direct										
2.2 Reinsurance assumed										
2.3 Reinsurance ceded										
2.4 Net										
3. Amounts Withheld from Paid Claims and Capitations:										
3.1 Direct										
3.2 Reinsurance assumed										
3.3 Reinsurance ceded										
3.4 Net										
4. TOTALS:										
4.1 Direct										
4.2 Reinsurance assumed										
4.3 Reinsurance ceded										
4.4 Net										

NONE

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2B - ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR - NET OF REINSURANCE

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5	6
	1	2	3	4		
	On Claims Incurred Prior to January 1 of Current Year	On Claims Incurred During the Year	On Claims Unpaid December 31 of Prior Year	On Claims Incurred During the Year	Claims Incurred In Prior Years (Columns 1 + 3)	Estimated Claim Reserve and Claim Liability December 31 of Prior Year
1. Comprehensive (hospital and medical)					0	0
2. Medicare Supplement					0	0
3. Dental Only					0	0
4. Vision Only					0	0
5. Federal Employees Health Benefits Plan					0	0
6. Title XVIII - Medicare	4,710,383				4,710,383	7,291,830
7. Title XIX - Medicaid					0	0
8. Other health					0	0
9. Health subtotal (Lines 1 to 8)	4,710,383	0	0	0	4,710,383	7,291,830
10. Healthcare receivables (a)	102,398				102,398	0
11. Other non-health					0	0
12. Medical incentive pools and bonus amounts					0	0
13. Totals (Lines 9 - 10 + 11 + 12)	4,607,985	0	0	0	4,607,985	7,291,830

(a) Excludes \$ 0 loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)

Section A - Paid Health Claims - Title XVIII

Year in Which Losses Were Incurred						Cumulative Net Amounts Paid				
						1 2007	2 2008	3 2009	4 2010	5 2011
1.	Prior	.....	.....	.....	.....	0	0	0	0	0
2.	2007	.....	.....	.....	.....	2,423	3,765	3,831	3,831	3,836
3.	2008	.....	.....	.....	.....	XXX	14,125	18,478	18,956	18,977
4.	2009	.....	.....	.....	.....	XXX	XXX	32,245	39,697	39,680
5.	2010	.....	.....	.....	.....	XXX	XXX	XXX	26,477	31,076
6.	2011	.....	.....	.....	.....	XXX	XXX	XXX	XXX	0

Section B - Incurred Health Claims - Title XVIII

Year in Which Losses Were Incurred						Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
						1 2007	2 2008	3 2009	4 2010	5 2011
1.	Prior	.....	.....	.....	.....	0	0	0	0	0
2.	2007	.....	.....	.....	.....	5,001	3,934	3,831	3,831	3,836
3.	2008	.....	.....	.....	.....	XXX	20,770	18,556	18,956	18,977
4.	2009	.....	.....	.....	.....	XXX	XXX	40,412	40,739	39,680
5.	2010	.....	.....	.....	.....	XXX	XXX	XXX	32,727	31,076
6.	2011	.....	.....	.....	.....	XXX	XXX	XXX	XXX	0

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio - Title XVIII

Years in which Premiums were Earned and Claims were Incurred		1 Premiums Earned	2 Claims Payment	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 (Col. 9/1) Percent
1.	2007	.....7,114	.....3,836	.....245	.....6.4	.....4,081	.....57.4	.....0	.....0	.....4,081	.....57.4
2.	2008	.....26,220	.....18,977	.....1,060	.....5.6	.....20,037	.....76.4	.....0	.....0	.....20,037	.....76.4
3.	2009	.....55,729	.....39,680	.....1,589	.....4.0	.....41,269	.....74.1	.....0	.....0	.....41,269	.....74.1
4.	2010	.....44,927	.....31,076	.....1,361	.....4.4	.....32,437	.....72.2	.....0	.....0	.....32,437	.....72.2
5.	2011	.....(746)	.....0	.....(156)	.....0.0	.....(156)	.....20.9	.....0	.....0	.....(156)	.....20.9

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)

Section A - Paid Health Claims - Title XIX

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2007	2 2008	3 2009	4 2010	5 2011
1.	Prior	(20)	(20)	244	244	244
2.	2007					
3.	2008	XXX				
4.	2009	XXX	XXX			
5.	2010	XXX	XXX	XXX		
6.	2011	XXX	XXX	XXX	XXX	

Section B - Incurred Health Claims - Title XIX

Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
		1 2007	2 2008	3 2009	4 2010	5 2011
1.	Prior	244	244	244	244	244
2.	2007			28		
3.	2008	XXX		172		
4.	2009	XXX	XXX			
5.	2010	XXX	XXX	XXX		
6.	2011	XXX	XXX	XXX	XXX	

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio - Title XIX

Years in which Premiums were Earned and Claims were Incurred		1	2	3	4	5	6	7	8	9	10
		Premiums Earned	Claims Payment	Claim Adjustment Expense Payments	(Col. 3/2) Percent	Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	(Col. 5/1) Percent	Claims Unpaid	Unpaid Claims Adjustment Expenses	Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	(Col. 9/1) Percent
1.	2007				0.0	0	0.0			0	0.0
2.	2008				0.0	0	0.0			0	0.0
3.	2009				0.0	0	0.0			0	0.0
4.	2010				0.0	0	0.0			0	0.0
5.	2011				0.0	0	0.0			0	0.0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)

Section A - Paid Health Claims - Grand Total

Year in Which Losses Were Incurred						Cumulative Net Amounts Paid				
						1 2007	2 2008	3 2009	4 2010	5 2011
1.	Prior					(20)	(20)	244	244	244
2.	2007					2,423	3,765	3,831	3,831	3,836
3.	2008					XXX	14,125	18,478	18,956	18,977
4.	2009					XXX	XXX	32,245	39,697	39,680
5.	2010					XXX	XXX	XXX	26,477	31,076
6.	2011					XXX	XXX	XXX	XXX	0

Section B - Incurred Health Claims - Grand Total

Year in Which Losses Were Incurred						Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
						1 2007	2 2008	3 2009	4 2010	5 2011
1.	Prior					244	244	244	244	244
2.	2007					5,001	3,934	3,859	3,831	3,836
3.	2008					XXX	20,770	18,728	18,956	18,977
4.	2009					XXX	XXX	40,412	40,739	39,680
5.	2010					XXX	XXX	XXX	32,727	31,076
6.	2011					XXX	XXX	XXX	XXX	0

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio - Grand Total

Years in which Premiums were Earned and Claims were Incurred		1 Premiums Earned	2 Claims Payment	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 (Col. 9/1) Percent
1.	2007	7,114	3,836	245	6.4	4,081	57.4	0	0	4,081	57.4
2.	2008	26,220	18,977	1,060	5.6	20,037	76.4	0	0	20,037	76.4
3.	2009	55,729	39,680	1,589	4.0	41,269	74.1	0	0	41,269	74.1
4.	2010	44,927	31,076	1,361	4.4	32,437	72.2	0	0	32,437	72.2
5.	2011	(746)	0	(156)	0.0	(156)	20.9	0	0	(156)	20.9

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2D - AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS ONLY

	1	2	3	4	5	6	7	8	9
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other
1. Unearned premium reserves									
2. Additional policy reserves (a)									
3. Reserve for future contingent benefits									
4. Reserve for rate credits or experience rating refunds (including \$) for investment income									
5. Aggregate write-ins for other policy reserves									
6. Totals (gross)									
7. Reinsurance ceded									
8. Totals (Net)(Page 3, Line 4)									
9. Present value of amounts not yet due on claims									
10. Reserve for future contingent benefits									
11. Aggregate write-ins for other claim reserves									
12. Totals (gross)									
13. Reinsurance ceded									
14. Totals (Net)(Page 3, Line 7)									
DETAILS OF WRITE-INS									
0501.									
0502.									
0503.									
0598. Summary of remaining write-ins for Line 5 from overflow page.....									
0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above)									
1101.									
1102.									
1103.									
1198. Summary of remaining write-ins for Line 11 from overflow page									
1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above)									

(a) Includes \$ premium deficiency reserve.

UNDERWRITING AND INVESTMENT EXHIBIT

	Claim Adjustment Expenses		3	4	5
	1	2			
	Cost Containment Expenses	Other Claim Adjustment Expenses	General Administrative Expenses	Investment Expenses	Total
1. Rent (\$0 for occupancy of own building)	0	(4,723)	(2,442)	0	(7,164)
2. Salary, wages and other benefits	0	(87,988)	(40,031)	0	(128,018)
3. Commissions (less \$0 ceded plus \$0 assumed)	0	0	0	0	0
4. Legal fees and expenses	0	(1,430)	(739)	0	(2,170)
5. Certifications and accreditation fees	0	0	0	0	0
6. Auditing, actuarial and other consulting services	0	(9,429)	118,239	0	108,810
7. Traveling expenses	0	(3,156)	(1,632)	0	(4,787)
8. Marketing and advertising	0	(7,465)	(3,859)	0	(11,324)
9. Postage, express and telephone	0	(6,721)	(3,475)	0	(10,195)
10. Printing and office supplies	0	(2,167)	(1,120)	0	(3,288)
11. Occupancy, depreciation and amortization	0	(1,279)	(661)	0	(1,940)
12. Equipment	0	(283)	(146)	0	(430)
13. Cost or depreciation of EDP equipment and software	0	(12,637)	(6,533)	0	(19,170)
14. Outsourced services including EDP, claims, and other services	0	(11,340)	(1,360)	0	(12,701)
15. Boards, bureaus and association fees	0	(221)	(114)	0	(336)
16. Insurance, except on real estate	0	(2,808)	(1,452)	0	(4,260)
17. Collection and bank service charges	0	(750)	(387)	746	(391)
18. Group service and administration fees	0	(364)	(188)	0	(552)
19. Reimbursements by uninsured plans	0	0	0	0	0
20. Reimbursements from fiscal intermediaries	0	0	0	0	0
21. Real estate expenses	0	0	0	0	0
22. Real estate taxes	0	(269)	(139)	0	(408)
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes	0	0	180,380	0	180,380
23.2 State premium taxes	0	0	0	0	0
23.3 Regulatory authority licenses and fees	0	0	1,388	0	1,388
23.4 Payroll taxes	0	0	0	0	0
23.5 Other (excluding federal income and real estate taxes)	0	(511)	22,658	0	22,147
24. Investment expenses not included elsewhere	0	0	0	0	0
25. Aggregate write-ins for expenses	0	(2,812)	(1,118)	0	(3,930)
26. Total expenses incurred (Lines 1 to 25)	0	(156,352)	257,267	746	(a) .....101,662
27. Less expenses unpaid December 31, current year	0	0	149,346	0	149,346
28. Add expenses unpaid December 31, prior year	0	156,352	166,240	0	322,592
29. Amounts receivable relating to uninsured plans, prior year	0	0	0	0	0
30. Amounts receivable relating to uninsured plans, current year	0	0	0	0	0
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30)	0	0	274,161	746	274,908
DETAILS OF WRITE-INS					
2501. Information Technology	0	(603)	(312)	0	(915)
2502. Interest	0	(1,744)	(588)	0	(2,332)
2503. Managed Care & Network Access	0	0	22	0	22
2598. Summary of remaining write-ins for Line 25 from overflow page	0	(465)	(240)	0	(705)
2599. Totals (Lines 2501 thru 2503 plus 2598)(Line 25 above)	0	(2,812)	(1,118)	0	(3,930)

(a) Includes management fees of \$20,016 to affiliates and \$0 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

		1	2
		Collected During Year	Earned During Year
1.	U.S. government bonds	(a) .....75,653	.....70,463
1.1	Bonds exempt from U.S. tax	(a)	
1.2	Other bonds (unaffiliated)	(a) .....36,759	.....36,759
1.3	Bonds of affiliates	(a)	
2.1	Preferred stocks (unaffiliated)	(b)	
2.11	Preferred stocks of affiliates	(b)	
2.2	Common stocks (unaffiliated)		
2.21	Common stocks of affiliates		
3.	Mortgage loans	(c)	
4.	Real estate	(d)	
5	Contract Loans		
6	Cash, cash equivalents and short-term investments	(e) .....64	.....64
7	Derivative instruments	(f)	
8.	Other invested assets		
9.	Aggregate write-ins for investment income .....	.....0	.....0
10.	Total gross investment income	112,476	107,286
11.	Investment expenses		(g) .....746
12.	Investment taxes, licenses and fees, excluding federal income taxes		(g) .....0
13.	Interest expense		(h)
14.	Depreciation on real estate and other invested assets		(i)
15.	Aggregate write-ins for deductions from investment income .....		.....0
16.	Total deductions (Lines 11 through 15) .....		.....746
17.	Net investment income (Line 10 minus Line 16)		106,540
DETAILS OF WRITE-INS			
0901.	.....	
0902.	.....	
0903.	.....	
0998.	Summary of remaining write-ins for Line 9 from overflow page .....	.....0	.....0
0999.	Totals (Lines 0901 thru 0903 plus 0998) (Line 9, above)	0	0
1501.	.....	
1502.	.....	
1503.	.....	
1598.	Summary of remaining write-ins for Line 15 from overflow page .....		.....0
1599.	Totals (Lines 1501 thru 1503 plus 1598) (Line 15, above)		0

- (a) Includes \$759 accrual of discount less \$147,356 amortization of premium and less \$0 paid for accrued interest on purchases.
- (b) Includes \$0 accrual of discount less \$0 amortization of premium and less \$0 paid for accrued dividends on purchases.
- (c) Includes \$0 accrual of discount less \$0 amortization of premium and less \$0 paid for accrued interest on purchases.
- (d) Includes \$0 for company's occupancy of its own buildings; and excludes \$0 interest on encumbrances.
- (e) Includes \$0 accrual of discount less \$0 amortization of premium and less \$0 paid for accrued interest on purchases.
- (f) Includes \$0 accrual of discount less \$0 amortization of premium.
- (g) Includes \$.0 investment expenses and \$0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
- (h) Includes \$0 interest on surplus notes and \$0 interest on capital notes.
- (i) Includes \$0 depreciation on real estate and \$0 depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

		1	2	3	4	5
		Realized Gain (Loss) On Sales or Maturity	Other Realized Adjustments	Total Realized Capital Gain (Loss) (Columns 1 + 2)	Change in Unrealized Capital Gain (Loss)	Change in Unrealized Foreign Exchange Capital Gain (Loss)
1.	U.S. Government bonds	3,726	0	3,726	0	0
1.1	Bonds exempt from U.S. tax			0		
1.2	Other bonds (unaffiliated)	0	0	0	0	0
1.3	Bonds of affiliates	0	0	0	0	0
2.1	Preferred stocks (unaffiliated)	0	0	0	0	0
2.11	Preferred stocks of affiliates	0	0	0	0	0
2.2	Common stocks (unaffiliated)	0	0	0	0	0
2.21	Common stocks of affiliates	0	0	0	0	0
3.	Mortgage loans		0	0	0	0
4.	Real estate		0	0		0
5.	Contract loans			0		
6.	Cash, cash equivalents and short-term investments			0		
7.	Derivative instruments			0		
8.	Other invested assets		0	0	0	0
9.	Aggregate write-ins for capital gains (losses)	0	0	0	0	0
10.	Total capital gains (losses)	3,726	0	3,726	0	0
DETAILS OF WRITE-INS						
0901.	.....				
0902.	.....				
0903.	.....				
0998.	Summary of remaining write-ins for Line 9 from overflow page	0	0	0	0	0
0999.	Totals (Lines 0901 thru 0903 plus 0998) (Line 9, above)	0	0	0	0	0

EXHIBIT OF NON-ADMITTED ASSETS

	1	2	3
	Current Year Total Nonadmitted Assets	Prior Year Total Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)			0
2. Stocks (Schedule D):			
2.1 Preferred stocks			0
2.2 Common stocks			0
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens			0
3.2 Other than first liens			0
4. Real estate (Schedule A):			
4.1 Properties occupied by the company			0
4.2 Properties held for the production of income			0
4.3 Properties held for sale			0
5. Cash (Schedule E - Part 1), cash equivalents (Schedule E - Part 2) and short-term investments (Schedule DA)			0
6. Contract loans			0
7. Derivatives (Schedule DB)			0
8. Other invested assets (Schedule BA)			0
9. Receivables for securities			0
10. Securities lending reinvested collateral assets (Schedule DL)			0
11. Aggregate write-ins for invested assets	0	0	0
12. Subtotals, cash and invested assets (Lines 1 to 11)	0	0	0
13. Title plants (for Title insurers only)			0
14. Investment income due and accrued			0
15. Premiums and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection			0
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due			0
15.3 Accrued retrospective premiums			0
16. Reinsurance:			
16.1 Amounts recoverable from reinsurers			0
16.2 Funds held by or deposited with reinsured companies			0
16.3 Other amounts receivable under reinsurance contracts			0
17. Amounts receivable relating to uninsured plans			0
18.1 Current federal and foreign income tax recoverable and interest thereon			0
18.2 Net deferred tax asset		0	0
19. Guaranty funds receivable or on deposit			0
20. Electronic data processing equipment and software			0
21. Furniture and equipment, including health care delivery assets			0
22. Net adjustment in assets and liabilities due to foreign exchange rates			0
23. Receivable from parent, subsidiaries and affiliates	236,464	1,257	(235,207)
24. Health care and other amounts receivable	102,398	13,252	(89,146)
25. Aggregate write-ins for other than invested assets	0	0	0
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	338,862	14,510	(324,352)
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			0
28. Total (Lines 26 and 27)	338,862	14,510	(324,352)
DETAILS OF WRITE-INS			
1101.			
1102.			
1103.			
1198. Summary of remaining write-ins for Line 11 from overflow page	0	0	0
1199. Totals (Lines 1101 thru 1103 plus 1198)(Line 11 above)	0	0	0
2501.			
2502.			
2503.			
2598. Summary of remaining write-ins for Line 25 from overflow page	0	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598)(Line 25 above)	0	0	0

EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

Source of Enrollment	Total Members at End of					6 Current Year Member Months
	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	
1. Health Maintenance Organizations	2,964	0	0	0	0	0
2. Provider Service Organizations						
3. Preferred Provider Organizations						
4. Point of Service						
5. Indemnity Only						
6. Aggregate write-ins for other lines of business.....	0	0	0	0	0	0
7. Total	2,964	0	0	0	0	0
DETAILS OF WRITE-INS						
0601.						
0602.						
0603.						
0698. Summary of remaining write-ins for Line 6 from overflow page	0	0	0	0	0	0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above)	0	0	0	0	0	0

NOTES TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

Organization and Operation — Unison Health Plan of Tennessee, Inc. (the “Company”), licensed as a health maintenance organization (HMO), offers its enrollees a variety of managed care programs through contractual arrangements with health care providers. The Company is a wholly owned subsidiary of Three Rivers Holdings, Inc. (TRH). TRH is a wholly owned subsidiary of AmeriChoice Corporation which is a wholly owned subsidiary of UnitedHealth Group Incorporated (UnitedHealth Group). UnitedHealth Group is a publicly held company trading on the New York Stock Exchange.

The Company was incorporated on August 9, 2000, as an HMO and operations commenced in July 2001. The Company is certified as an HMO by the State of Tennessee Department of Commerce and Insurance (TDCI) and was certified as an HMO by the Arkansas Insurance Department and the Mississippi Insurance Department. The Company voluntarily surrendered its Certificates of Authority in the States of Arkansas and Mississippi on March 23, 2011 and December 1, 2011, respectively. The Company has entered into contracts with physicians, hospitals, and other health care provider organizations to deliver health care services for all enrollees.

The Company served as a plan sponsor offering Medicare Advantage and Medicare Part D prescription drug insurance coverage (Medicare Part D program) under a contract with the Centers for Medicare and Medicaid Services (CMS). Under the Medicare Part D program, there are five separate elements of payment received by the Company during the plan year; these payment elements are CMS premium, low-income premium subsidy, catastrophic reinsurance subsidy, low-income member cost-sharing subsidy, and CMS risk share.

Effective January 1, 2011, the Company completed a novation of its contract with CMS to serve as a plan sponsor offering Medicare Advantage and Medicare Part D program to UnitedHealthcare Plan of the River Valley, Inc. (UHCPRV), an affiliated entity. The Company's Medicare eligible members who received benefits under the Company's Medicare Advantage and Medicare Part D program during 2010 now receive benefits from the Company's affiliate, UHCPRV. The Company conducted limited operations in 2011 related to the claim runout period for eligible members that received benefits under the Company's Medicare Advantage and Medicare Part D program in 2010.

Basis of Presentation — The Company prepares its statutory financial statements on the basis of accounting practices prescribed or permitted by the TDCI. These statutory practices differ from accounting principles generally accepted in the United States of America (GAAP).

The more significant differences are as follows:

- Cash and short-term investments in the statutory basis financial statements represent cash balances and investments with original maturities of one year or less from the time of acquisition, whereas under GAAP, the corresponding caption of cash and short-term investments includes cash balances and investments that will mature in one year or less from the balance sheet date;
- Outstanding checks are required to be netted against cash balances or presented as cash overdrafts if in excess of cash balances in the statutory basis statements of admitted assets, liabilities, and capital and surplus as opposed to being presented as other liabilities under GAAP;
- Certain debt investments categorized as held to maturity under GAAP are shown at amortized cost, whereas in the statutory basis financial statements, these investments are presented at either the lower of amortized cost or fair value in accordance with the National Association of Insurance Commissioners' (NAIC) designations;
- Certain assets, including health care receivables are considered nonadmitted assets for statutory purposes and are excluded from the statutory basis statements of admitted assets, liabilities, and capital and surplus;
- Under statutory accounting, the change to deferred tax assets and liabilities is recorded directly to unassigned surplus and deferred tax assets are subject to limitations regarding the realization and admissibility of the assets in the statutory basis financial statements, whereas under GAAP, the change in deferred tax assets and liabilities is recorded as a component of the income tax provision within the income statement and is based on the ultimate recoverability of the deferred tax assets. Based on the admissibility criteria under statutory accounting, any deferred tax assets determined to be nonadmitted are charged directly to surplus and excluded from the statutory basis financial statements, whereas under GAAP, such assets are included in the balance sheets;

NOTES TO FINANCIAL STATEMENTS

- Assets not specifically identified as an admitted asset by the NAIC are designated as nonadmitted under statutory accounting. Nonadmitted assets are excluded from the statutory basis financial statements and are charged directly to unassigned surplus. Under GAAP, such assets are included in the balance sheet;
- The unexpired portion of accident and health insurance premiums is recorded as unearned premium; the corresponding change in unearned premium from year to year is reflected as a change in unearned premium reserves and reserve for rate credits in the statutory basis statements of operations. Under GAAP, the change in unearned premium from year to year is reported through premium income;
- Comprehensive income and its components are not presented in the statutory basis financial statements;
- Cash and short-term investments in the statutory basis statements of cash flows represent cash balances and investments with original maturities of one year or less from the time of acquisition. Under GAAP, the corresponding caption of cash and cash equivalents includes cash balances and cash equivalents with maturities of three months or less. The statutory basis statements of cash flows are prepared in accordance with the NAIC Annual Statement Instructions.

The TDCI recognizes only statutory accounting practices prescribed or permitted by the State of Tennessee for determining and reporting the financial condition and results of operations of an HMO and for determining its solvency under Tennessee insurance law. The NAIC *Accounting Practices and Procedures Manual* (NAIC SAP) has been adopted with modifications as a component of prescribed or permitted practices by the State of Tennessee. No significant differences exist between prescribed or permitted practices by the State of Tennessee and NAIC SAP which materially affect the statutory basis net income, capital and surplus, and total admitted assets, as illustrated in the table below.

	2011	2010
Net income — State of Tennessee basis	\$ 1,652,295	\$ 3,492,362
Net income — NAIC SAP	<u>\$ 1,652,295</u>	<u>\$ 3,492,362</u>
Capital and surplus — State of Tennessee basis	\$ 7,148,351	\$ 5,737,210
Capital and surplus — NAIC SAP	<u>\$ 7,148,351</u>	<u>\$ 5,737,210</u>
Total admitted assets — State of Tennessee basis	\$ 7,651,470	\$ 15,113,232
Total admitted assets — NAIC SAP	<u>\$ 7,651,470</u>	<u>\$ 15,113,232</u>

Use of Estimates — The preparation of these statutory basis financial statements in conformity with the NAIC Annual Statement Instructions and the NAIC SAP include certain amounts that are based on the Company’s estimates and judgments. These estimates require the Company to apply complex assumptions and judgments, often because the Company must make estimates about the effects of matters that are inherently uncertain and will change in subsequent periods. The most significant estimates relate to hospital and medical benefits, claims unpaid, and aggregate health policy reserves and aggregate health claim reserves (collectively known as “aggregate health reserves”). The Company adjusts these estimates each period as more current information becomes available. The impact of any changes in estimates is included in the determination of net income in the period in which the estimate is adjusted.

Cash and Invested Assets —

- Cash represents cash held by the Company in disbursement accounts. Claims and other payments are made from the disbursement accounts daily. Cash overdrafts are a result of timing differences in funding disbursement accounts for claims payments.
- Short-term investments represent money market instruments with a maturity of greater than three months but less than one year at the time of purchase.

NOTES TO FINANCIAL STATEMENTS

- Bonds and short-term investments are stated at amortized cost if they meet NAIC designation of one or two and stated at the lower of amortized cost or fair value if they meet an NAIC designation of three or higher. Amortization of bond premium or discount is calculated using the constant-yield interest method. Bonds and short-term investments are valued and reported using market prices published by the SVO in accordance with the NAIC Valuations of Securities manual prepared by the SVO or an external pricing service.

Realized capital gains on sales of investments are calculated based upon specific identification of the investments sold. These gains are reported as net realized capital gains less capital gains tax in the statutory basis statements of operations.

The Company continually monitors the difference between amortized cost and estimated fair value of its investments. If any of the Company's investments experience a decline in value that the Company has determined is other-than-temporary, the Company records a realized loss in net realized capital gains (losses) less capital gains tax (benefit) in the statutory basis statements of operations as the Company has made the determination to sell the security. The new cost basis is not changed for subsequent recoveries in fair value. The Company has not recorded any other-than-temporary impairments for the years ended December 31, 2011 and 2010.

Investment Income Due and Accrued — Investment income earned and due as of the reporting date in addition to investment income earned but not paid or collected until subsequent periods are reported as investment income due and accrued in the statutory basis statements of admitted assets, liabilities, and capital and surplus. The Company evaluates the collectability of the amounts due and amounts determined to be uncollectible are written off in the period in which the determination is made.

Net Investment Income Earned — Net investment income earned includes investment income collected during the period, as well as the change in investment income due and accrued on the Company's holdings. Amortization of premium or discount on bonds and certain external investment management costs are also included in net investment income earned (see Note 7).

Receivables from Parent, Subsidiaries, and Affiliates and Amounts Due to Parent, Subsidiaries, and Affiliates — In the normal course of business, the Company has various transactions with related parties (see Note 10). The Company reports any unsettled amounts due or owed as receivables from parent, subsidiaries, and affiliates and amounts due to parent, subsidiaries, and affiliates, respectively, in the statutory basis statements of admitted assets, liabilities, and capital and surplus. The Company has excluded receivables that do not meet the admissibility criteria from the statutory basis statements of admitted assets, liabilities, and capital and surplus.

Hospital and Medical Expenses, Claims Unpaid, and Aggregate Health Reserves — Hospital and medical expenses and corresponding liabilities include claims paid, claims processed but not yet paid, estimates for claims received but not yet processed, estimates for the costs of health care services enrollees have received but for which claims have not yet been submitted, and for liabilities for physician, hospital, and other medical costs disputes (see Note 1).

The estimates for incurred but not yet reported claims are developed using an actuarial process that is consistently applied, centrally controlled and automated. The actuarial models consider factors such as historical submission and payment data, cost trends, customer and product mix, seasonality, utilization of health care services, contracted service rates, and other relevant factors. The Company estimates liabilities for physician, hospital and other medical cost disputes based upon an analysis of potential outcomes, assuming a combination of litigation and settlement strategies. The estimates may change as actuarial methods change or as underlying facts upon which estimates are based change. The Company did not change actuarial methods during 2011 and 2010. Management believes the amount of claims unpaid and aggregate health reserves is adequate to cover the Company's liability for unpaid claims and aggregate health reserves as of December 31, 2011; however, actual payments may differ from those established estimates. Adjustments to claims unpaid estimates and aggregate health reserves are reflected in operating results in the period in which the change in estimate is identified (see Note 1).

The Company contracts with hospitals, physicians, and other providers of health care under capitated or Medicare fee for service arrangements, including a hospital percentage of CMS diagnostic related groupings payment methodology, to provide medical care services to enrollees. Some of these contracts are with related parties (see Note 10). Capitated providers are at risk for the cost of medical care services provided to the Company's enrollees; however, the Company is ultimately responsible for the provision of services to its enrollees should the capitated provider be unable to provide the contracted services (see Note 1).

NOTES TO FINANCIAL STATEMENTS

Amounts Receivable Relating to Uninsured Plans and Liability for Amounts Held Under

Uninsured Plans — Liabilities for amounts held under uninsured plans represent the cost reimbursement under the Medicare Part D program for the catastrophic reinsurance subsidy and the low-income member cost-sharing subsidy. The Company is fully reimbursed by CMS for costs incurred for these contract elements and, accordingly, there is no insurance risk to the Company. Amounts received for these subsidies are received monthly and are not reflected as net premium income, but rather are accounted for as deposits. Beginning in 2011, the Patient Protection and Affordable Care Act and its related reconciliation act (Health Reform Legislation) mandates consumer discounts of 50% on brand name prescription drugs for Part D plan participants in the coverage gap (Coverage Gap Discount Program or CGDP). These discounts are pre-funded by CMS, and ultimately reimbursed by pharmaceutical manufacturers, and the Company solely administers the application of these funds and has no insurance risk. If the Company incurs costs either in excess of or less than these subsidies, a corresponding payable is recorded in the liability for amounts held under uninsured plans in the statutory basis statements of admitted assets, liabilities, and capital and surplus. Related cash flows are presented within operating expenses paid within cash provided by operations in the statutory basis statements of cash flows.

Net Deferred Tax Asset and Federal Income Taxes Incurred — Statutory accounting requires an amount to be recorded for deferred taxes on temporary differences between the financial reporting and tax bases of assets and liabilities, subject to a valuation allowance and admissibility limitations on deferred tax assets (see Note 9). The provision for federal income taxes incurred is calculated based on applying the statutory federal income tax rate of 35% to net income before federal income taxes plus capital gains tax/less capital gains tax benefit subject to certain adjustments (see Note 9).

Claims Adjustment Expenses — Claims adjustment expenses (CAE) are those costs expected to be incurred in connection with the adjustment and recording of accident and health claims. Pursuant to the terms of the management agreement (see Note 10), the Company pays a management fee to Unison Administrative Services, LLC (UAS) in exchange for administrative and management services. A detailed review of UAS' and the Company's administrative expenses is performed to determine the allocation between CAE and general administrative expenses. It is the responsibility of UAS to pay CAE in the event the Company ceases operations. The Company has recorded an estimate of unpaid claims adjustment expenses associated with incurred but unpaid claims, which is included in general expenses due or accrued in the statutory basis statements of admitted assets, liabilities, and capital and surplus. Management believes the amount of the liability for unpaid claims adjustment expenses as of December 31, 2011 is adequate to cover the Company's cost for the adjustment and recording of unpaid claims; however, actual expenses may differ from those established estimates. Adjustments to the estimates for unpaid claims adjustment expenses are reflected in operating results in the period in which the change in estimate is identified.

General Administrative Expenses — Pursuant to the terms of the management agreement (see Note 10), the Company pays a management fee to UAS in exchange for administrative and management services. Costs for items not included within the scope of the management agreement are directly expensed as incurred. State income taxes are also a component of general administrative expenses. A detailed review of UAS' and the Company's administrative expenses is performed to determine the allocation between claims adjustment expenses and general administrative expenses to be reported in the statutory basis statements of operations.

Revenues — Revenues consist of net premium income that is recognized in the period in which enrollees are entitled to receive health care services. Net premium income is shown net of reinsurance premiums. Premiums received in full during the current period which are not due until future periods are recorded as premiums received in advance in the accompanying statutory basis statements of admitted assets, liabilities, and capital and surplus. Unearned premiums are established for the portion of premiums received during the current period that are partially unearned at the end of the period and are included in aggregate health policy reserves in the accompanying statutory basis statements of admitted assets, liabilities, and capital and surplus.

Net premium income includes the Medicare Advantage CMS premium, and the premium under the Medicare Part D program, which includes, CMS premium, and low-income premium subsidy for the Company's insurance risk coverage. Net premium income is recognized ratably over the period in which eligible individuals are entitled to receive health care services and prescription drug benefits. The Company estimates retrospective premiums adjustments based on guidelines determined by CMS (see Note 24).

NOTES TO FINANCIAL STATEMENTS

CMS deploys a risk adjustment model that apportions premiums paid to all health plans according to health severity and certain demographic factors. The CMS risk adjustment model pays more for members whose medical history indicates they have certain medical conditions. Under this risk adjustment methodology, CMS calculates the risk adjusted premium payment using diagnosis data from hospital inpatient, hospital outpatient and physician treatment settings. The Company and health care providers collect, capture, and submit the necessary and available diagnosis data to CMS within prescribed deadlines. The Company estimates risk adjustment revenues based upon the diagnosis data submitted and expected to be submitted to CMS which result in changes to its Medicare revenues. The Company recognizes such changes when the amounts become determinable and supportable and collectability is reasonably assured. The estimated risk-adjusted payments due to the Company at December 31, 2011 and 2010, were \$0 and \$756,000, respectively, and are recorded as uncollected premiums in the statutory basis statements of admitted assets, liabilities, and capital and surplus. The Company recognized \$91,000 and \$578,000 for changes in prior year Medicare risk factor estimates during the years ended December 31, 2011 and 2010, respectively, which is recorded as a reduction to net premium income within the statutory basis statements of operations.

Medical Risk Share — The Company has settlements with CMS based on whether the ultimate per member per month benefit costs of any Medicare Part D program regional plan varies more than 5% above or below the level estimated in the original bid submitted by the Company and approved by CMS in 2011 and 2010. The estimated risk share adjustment of \$83,000 and \$558,000 in 2011 and 2010, respectively, is recorded as an adjustment to unearned premium reserves and reserve for rate credits in the statutory basis statements of operations and aggregate health policy reserves in the statutory basis statements of admitted assets, liabilities, and capital and surplus.

Health Care and Other Receivables — Health care and other receivables consist of pharmacy rebate receivables estimated based on the most currently available data from the Company's claims processing systems and from data provided by the Company's affiliated pharmaceutical benefit manager, OptumRx, Inc. ("OptumRx"). Health care and other receivables also include receivables for amounts due to the Company for claim overpayments to providers, hospitals and other healthcare provider organizations. Health care and other receivables are considered nonadmitted assets for statutory purposes if they do not meet admissibility requirements. Accordingly, the Company has excluded receivables that do not meet the admissibility criteria from the statutory basis statements of admitted assets, liabilities, and capital and surplus (see Note 28).

Premium Deficiency Reserves — Premium deficiency reserves and the related expenses are recognized when it is probable that expected future health care expenses, claim adjustment expenses, direct administration costs, and an allocation of indirect administration costs under a group of existing contracts will exceed anticipated future premiums and reinsurance recoveries considered over the remaining lives of the contracts and are recorded as aggregate health policy reserves in the statutory basis statements of admitted assets, liabilities, and capital and surplus. Indirect administration costs arise from activities that are not specifically identifiable to a specific group of existing contracts and therefore, those costs are fully allocated among the various contract groupings. The allocation of indirect administration costs to each contract grouping is made proportionately to the expected margins remaining in the premiums after future health care expenses, claim adjustment expenses and direct administration costs are considered. The methods for making such estimates and for establishing the resulting reserves are periodically reviewed and updated, and any adjustments are reflected as an increase or decrease in reserves for life and accident and health contracts in the accompanying statutory basis statements of operations in the period in which the change in estimate is identified. The Company anticipates investment income as a factor in the premium deficiency calculation (see Note 30).

Vulnerability Due to Certain Concentrations — The Company is subject to substantial federal and state government regulation, including licensing and other requirements relating to the offering of the Company's existing products in new markets and offerings of new products, both of which may restrict the Company's ability to expand its business.

Net premium income from members and CMS related to Medicare Advantage and the Medicare Part D program as a percentage of net premium income are 100% and 100% for the years ended December 31, 2011 and 2010, respectively.

NOTES TO FINANCIAL STATEMENTS

Restricted Cash Reserves — The Company is required by the State of Tennessee to maintain a minimum regulatory deposit equal to nine hundred thousand dollars (\$900,000) plus one hundred thousand dollars (\$100,000) for each ten million dollars (\$10,000,000) or fraction of ten million dollars (\$10,000,000) of annual premium revenue in excess of twenty million dollars (\$20,000,000) and less than one hundred million dollars (\$100,000,000) as reported on the most recent annual financial statement filed with the TDCI, and fifty thousand dollars (\$50,000) for each ten million dollars (\$10,000,000) or fraction of ten million dollars (\$10,000,000) of annual premium revenue in excess of one hundred million dollars (\$100,000,000) as reported on the most recent annual financial statement filed with the TDCI, currently \$900,000. The Company is in compliance with all State requirements. These restricted cash reserves consist principally of government obligations and are stated at amortized cost, which approximates fair value. These reserve are included in bonds in the accompanying statutory basis statements of admitted assets, liabilities, and capital and surplus. Interest earned on these reserves accrues to the Company.

Minimum Capital and Surplus — Under the laws of the State of Tennessee, the TDCI requires every HMO must maintain a minimum net worth equal to the greater of: (a) one million five hundred thousand dollars (\$1,500,000); or (b) an amount totaling four percent (4%) of the first one hundred fifty million dollars (\$150,000,000) of annual premium income as reported on the most recent annual statement filed with the TDCI and one and one half percent (1.5%) of the annual net premium income in excess of one hundred fifty million dollars (\$150,000,000). The minimum capital and surplus requirement based on 2011 annual premium income is \$1,500,000. The Company has approximately \$7,148,000 in total statutory capital and surplus as of December 31, 2011 which is in compliance with the required amount.

Risk-based capital (RBC) is a regulatory tool for measuring the minimum amount of capital appropriate for a managed care organization to support its overall business operations in consideration of its size and risk profile. The TDCI requires the Company to maintain minimum capital and surplus equal to the greater of the state statute as outlined above or the company action level as calculated by the RBC model. The Company is in compliance with the required amount.

Recently Issued Accounting Standards — In December 2010, the NAIC adopted revisions to Statement of Statutory Accounting Principle (SSAP) No. 10R, *Income Taxes – Revised, A Temporary Replacement of SSAP No. 10* (SSAP No. 10R), which extended the effective date of the temporary replacement through the interim and annual financial statement periods of 2011. The revision to the temporary standard adds additional disclosures related to the impact of tax planning strategies and the nature of the net admitted deferred tax assets by percentage and tax character. These disclosures are incorporated in Note 9 – Income Taxes, as applicable.

In December 2010, the NAIC issued revisions to SSAP No. 100, *Fair Value Measurements* (SSAP No. 100). SSAP No. 100 established a framework for measuring fair value and establishes disclosure requirements about fair value. The original statement was early adopted for December 31, 2009, with interim and annual financial statement reporting thereafter. The 2010 revisions to SSAP No. 100 relate to the reporting and disclosure of investments measured and reported at fair value and are effective for December 31, 2010 annual financial statements. The Company adopted the revisions to SSAP No. 100 as of December 31, 2010, and the related disclosure requirements are outlined in Note 20– Fair Value Measurements.

In October 2010, the NAIC issued SSAP No. 5R, *Liabilities, Contingencies and Impairments of Assets – Revised* (SSAP No. 5R), effective for all guarantees issued or outstanding as of December 31, 2011. The revised standard requires entities to recognize, at the inception of a guarantee, a liability for the obligations it has undertaken in issuing the guarantee, even if the likelihood of having to make payments under the guarantee is remote. The impact of adoption was immaterial to the overall financial condition, results of operations and cash flows of the Company.

In November 2011, the NAIC adopted Statement of Statutory Accounting Principles (SSAP) No. 101, *Income Taxes — A Replacement of SSAP No. 10R and SSAP No. 10*, effective for 2012 interim and annual financial statements and beyond. The new standard includes revised guidance for tax contingencies, non-elective deferred tax asset admissibility test along with significant modifications to the deferred tax asset admissibility test, and disclosure modifications. A change resulting from the adoption of this revised statement shall be accounted for prospectively. The Company has assessed the impact of adopting SSAP No. 101 and believes that there will not be a material impact to total capital and surplus.

2. ACCOUNTING CHANGES AND CORRECTION OF ERRORS

No changes in accounting principles have been recorded during the years ended December 31, 2011 and 2010.

NOTES TO FINANCIAL STATEMENTS

During 2010, the Company determined that it had understated premium revenue due to incomplete risk adjustment factors of approximately \$517,000 and understated total hospital and medical expense related to contract payment rate adjustments of approximately \$885,000 and understated general administrative expenses related to the incomplete risk adjustment factors of approximately \$78,000 for the year ended December 31, 2009. In addition, the federal income taxes incurred was overstated by approximately \$156,000 for the year ended December 31, 2009. The impact to net income was \$0 and \$(290,000) total capital and surplus was \$(290,000) and \$290,000, total assets was \$517,000 and \$(517,000), and total liabilities was \$806,000 and \$(807,000) for 2010 and 2009, respectively. The cumulative effect of this prior year error was corrected by the Company in accordance with SSAP No. 3, *Accounting Changes and Corrections of Errors* and is reflected in the accompanying statutory basis statements of changes in capital and surplus for the year ended December 31, 2010.

3. BUSINESS COMBINATIONS AND GOODWILL

The Company was not party to a business combination during the years ended December 31, 2011 and 2010, and does not carry goodwill in its statutory basis statements of admitted assets, liabilities, and capital and surplus.

4. DISCONTINUED OPERATIONS

The Company did not discontinue any operations during 2011 and 2010.

5. INVESTMENTS AND OTHER INVESTED ASSETS

The Company has no mortgage loans, real estate loans, restructured debt, reverse mortgages, repurchase agreements, or investments in low-income housing tax credits and does not participate in securities lending activities. The Company also has no real estate property occupied by the Company, real estate property held for the production of income, or real estate property held for sale. Total proceeds on the sale of investments for bonds were \$316,000 and \$0 and for short term investments were \$319,000 and \$52,770,000 in 2011 and 2010, respectively.

For purposes of calculating gross realized gains and losses on sales of investments, the amortized cost of each investment sold is used. The gross realized gains and losses on sales of investments for bonds were \$3,000 and \$0, respectively, for 2011 and \$0 and \$0, respectively, for 2010. There were no gross realized gains and losses on sales of investments for short term investments for 2011 or 2010. The net realized gain is included in net realized capital gains less capital gains tax in the accompanying statutory basis statements of operations.

NOTES TO FINANCIAL STATEMENTS

As of December 31, 2011 and 2010, the amortized cost, fair value, and gross unrealized holding gains and losses of the Company’s investments, excluding cash (overdrafts) and cash equivalents of approximately \$928,000 and \$7,122,000, respectively, are as follows (in thousands):

2011					
	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses < 1 year	Gross Unrealized Holding Losses > 1 year	Fair Value
U.S. government and agency	\$ 4,951	\$ 31	\$ -	\$ -	\$ 4,982
Municipalities and local agency	899	17	-	-	916
Commercial paper and money market funds	<u>4</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4</u>
Total bonds and short-term investments	<u>\$ 5,854</u>	<u>\$ 48</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,902</u>
2011					
	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses < 1 year	Gross Unrealized Holding Losses > 1 year	Fair Value
Less than one year	\$ 3,724	\$ 12	\$ -	\$ -	\$ 3,736
One to five years	<u>2,130</u>	<u>36</u>	<u>-</u>	<u>-</u>	<u>2,166</u>
Total bonds and short-term investments	<u>\$ 5,854</u>	<u>\$ 48</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,902</u>
2010					
	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses < 1 year	Gross Unrealized Holding Losses > 1 year	Fair Value
U.S. government and agency	\$ 5,410	\$ 74	\$ -	\$ -	\$ 5,484
Municipalities and local agency	899	16	-	-	915
Commercial paper and money market funds	<u>323</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>323</u>
Total bonds and short-term investments	<u>\$ 6,632</u>	<u>\$ 90</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,722</u>

The Company had no U.S. government and agency or municipalities and local agency securities in the tables above that are mortgage-backed securities.

The Company had no securities that have been in a continuous unrealized loss position at December 31, 2011 and 2010.

The Company evaluates impairment at each reporting period for each of the securities whereby the fair value of the investment is less than its amortized cost. The contractual cash flows of the U.S. government and agency obligations are either guaranteed by the U.S. government or an agency of the U.S. government. It is expected that the securities would not be settled at a price less than the cost of the investment, and the Company does not intend to sell the investment until the unrealized loss is fully recovered. The Company evaluated the credit ratings of the municipalities and local agency obligations and corporate obligations, noting whether a significant deterioration since purchase or other factors which may indicate an other-than-temporary impairment, such as the length of time and extent to which fair value has been less than cost, the financial condition, and near-term prospects of the issuer as well as specific events or circumstances that may influence the operations of the issuer and the Company’s intent to sell the investment. Additionally, the Company evaluated its intent and ability to retain mortgage-backed securities for a period of time sufficient to recover the amortized cost. As a result of this review, no other-than-temporary impairments were recorded by the Company as of December 31, 2011 and 2010.

6. JOINT VENTURES, PARTNERSHIPS, AND LIMITED LIABILITY COMPANIES

The Company has no investments in joint ventures, partnerships, or limited liability companies.

7. INVESTMENT INCOME

The Company has admitted all investment income due and accrued in the accompanying statutory basis statements of admitted assets, liabilities, and capital and surplus.

NOTES TO FINANCIAL STATEMENTS

The components of net investment income earned at December 31, 2011 and 2010, are as follows (in thousands):

	2011	2010
Bonds	\$ 107	\$ 111
Cash and short-term investments	-	6
Total investment income earned	107	117
Net investment income earned	\$ 107	\$ 117

8. DERIVATIVE INSTRUMENTS

The Company has no derivative instruments.

9. INCOME TAXES

The components of the net deferred tax asset for the years ended December 31, 2011 and 2010, are as follows (in thousands):

	2011			2010			Change		
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Gross deferred tax asset	\$ 179	\$ 1	\$ 180	\$ 95	\$ 1	\$ 96	\$ 84	\$ -	\$ 84
Statutory valuation allowance	-	1	1	-	1	1	-	-	-
Adjusted gross deferred tax asse	179	-	179	95	-	95	84	-	84
Gross deferred tax liabilities	1	-	1	1	-	1	-	-	-
Net deferred tax asset	178	-	178	94	-	94	84	-	84
Deferred tax asset nonadmitted	-	-	-	-	-	-	-	-	-
Net admitted deferred tax asset	\$ 178	\$ -	\$ 178	\$ 94	\$ -	\$ 94	\$ 84	\$ -	\$ 84

The components of the adjusted gross deferred tax assets admissibility calculation under SSAP No. 10R, *Income Taxes – Revised, A Temporary Replacement of SSAP No. 10*, are as follows (in thousands):

SSAP 10R Paragraph	2011			2010			Change		
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
¶ 10.a Federal income taxes recoverable through loss carryback	179	-	179	95	-	95	84	-	84
Adjusted gross deferred tax assets expected to be realized									
¶ 10.b.i. within one year of the balance sheet date not recovered via loss carrybacks	-	-	-	-	-	-	-	-	-
Ten percent adjusted statutory capital and surplus shown on most recently filed financial statement									
¶ 10.b.ii.	XXX	XXX	782	XXX	XXX	751	XXX	XXX	31
Admitted pursuant to ¶ 10b (lesser of i. or ii.)	-	-	-	-	-	-	-	-	-
Adjusted gross deferred tax assets after application of									
¶ 10.c above items that can be offset against existing gross deferred tax liabilities	-	-	-	-	-	-	-	-	-
Admitted deferred tax asset	179	-	179	95	-	95	84	-	84

The Company has not elected to admit additional deferred tax assets under the expanded admissibility test.

No additional adjusted gross deferred tax assets are included in the accompanying statutory basis statements of admitted assets, liabilities, and capital and surplus as a result of tax-planning strategies.

The results from the deferred tax asset admissibility calculation in relation to total admitted assets and total capital and surplus is presented below (in thousands):

	2011			2010			Change		
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Admitted deferred tax asset	\$ 179	\$ -	\$ 179	\$ 95	\$ -	\$ 95	\$ 84	\$ -	\$ 84
Total admitted assets at December 31			7,651			15,113			(7,462)
Adjusted capital and surplus at September 30			7,824			7,514			310
Total capital and surplus from net deferred tax assets at December 31			7,148			5,737			1,411

NOTES TO FINANCIAL STATEMENTS

There are no unrecognized deferred tax liabilities.

The current federal income taxes incurred for the years ended December 31, 2011 and 2010, are as follows (in thousands):

	2011	2010	Change
Federal income taxes incurred	\$ 825	\$ 1,871	\$ (1,046)
Capital gains tax	<u>1</u>	<u>-</u>	<u>1</u>
Total current federal income taxes incurred	<u>\$ 826</u>	<u>\$ 1,871</u>	<u>\$ (1,045)</u>

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at December 31, 2011 and 2010, are as follows (in thousands):

	2011	2010	Change
Ordinary deferred tax assets:			
Unpaid losses and CAE	\$ -	\$ 48	\$ (48)
Nonadmitted assets	119	5	114
Bad debt	<u>60</u>	<u>42</u>	<u>18</u>
Subtotal ordinary gross deferred tax asset	179	95	84
Statutory valuation allowance - ordinary	<u>-</u>	<u>-</u>	<u>-</u>
Adjusted ordinary gross deferred tax asset	179	95	84
Nonadmitted ordinary deferred tax asset	<u>-</u>	<u>-</u>	<u>-</u>
Admitted ordinary deferred tax asset	179	95	84
Capital deferred tax assets:			
Investments	<u>1</u>	<u>1</u>	<u>-</u>
Subtotal capital gross deferred tax asset	1	1	-
Statutory valuation allowance - capital	<u>1</u>	<u>1</u>	<u>-</u>
Adjusted capital gross deferred tax asset	-	-	-
Nonadmitted capital deferred tax asset	<u>-</u>	<u>-</u>	<u>-</u>
Admitted capital deferred tax asset	-	-	-
Total admitted deferred tax asset	<u>179</u>	<u>95</u>	<u>84</u>
Ordinary deferred tax liabilities:			
Investments	<u>1</u>	<u>1</u>	<u>0</u>
Subtotal ordinary gross deferred tax liability	1	1	0
Capital deferred tax liabilities:			
Investments	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal capital gross deferred tax liability	-	-	-
Total deferred tax liabilities	<u>1</u>	<u>1</u>	<u>0</u>
Net deferred tax asset	<u>\$ 178</u>	<u>\$ 94</u>	<u>\$ 84</u>

NOTES TO FINANCIAL STATEMENTS

The provision for federal income taxes incurred is different from that which would be obtained by applying the statutory federal income tax rate of 35% to net income before federal income taxes plus capital gains tax/less capital gains tax benefit. The significant items causing this difference are as follows (in thousands):

	2011	2010
Tax provision at the federal statutory rate	\$ 867	\$ 1,877
Tax-exempt interest	(11)	(11)
Tax effect of nonadmitted assets	<u>(114)</u>	<u>(2)</u>
Total	<u>\$ 742</u>	<u>\$ 1,864</u>
Federal income taxes incurred	\$ 825	\$ 1,871
Capital gains tax	1	-
Change in net deferred tax asset	<u>(84)</u>	<u>(7)</u>
Total statutory income taxes	<u>\$ 742</u>	<u>\$ 1,864</u>

At December 31, 2011, the Company had no net operating loss carryforwards.

Current federal income taxes recoverable and payable of \$555,000 and \$211,000, respectively, as of December 31, 2011 and 2010, respectively, are included in the accompanying statutory basis statements of admitted assets, liabilities, and capital and surplus. Federal income taxes paid, net of refunds was \$1,593,000 and \$1,700,000 in 2011 and 2010, respectively.

Federal income taxes incurred of \$827,000 and \$1,724,000 for 2011 and 2010, respectively, is available for recoupment in the event of future net losses.

The Company has not admitted any aggregate amounts of deposits that are included within Section 6603 (“Deposits made to suspend running of interest on potential underpayments, etc.”) of the Internal Revenue Service Code.

The Company does not have a provision for tax contingencies recorded as of December 31, 2011 or 2010.

The Company is included in a consolidated federal income tax return with its ultimate parent, UnitedHealth Group. The entities included within the consolidated return are included in NAIC Statutory Statement Schedule Y – Information Concerning Activities of Insurer Members Of A Holding Company Group. Federal income taxes are paid to or refunded by UnitedHealth Group pursuant to the terms of a tax-sharing agreement, approved by the Board of Directors, under which taxes approximate the amount that would have been computed on a separate company basis, with the exception of net operating losses and capital losses. For these losses, the Company receives a benefit at the federal rate in the current year for current taxable losses incurred in that year to the extent losses can be utilized in the consolidated federal income tax return of UnitedHealth Group. UnitedHealth Group currently files income tax returns in the U.S. federal jurisdiction, various states, and foreign jurisdictions. The U.S. Internal Revenue Service (IRS) has completed exams on UnitedHealth Group’s consolidated income tax returns for fiscal years 2010 and prior. UnitedHealth Group’s 2011 tax return is under advance review by the IRS under its Compliance Assurance Program (CAP). With the exception of a few states, UnitedHealth Group is no longer subject to income tax examinations prior to 2004 in major state and foreign jurisdictions. The Company does not believe any adjustments that may result from these examinations will be material to the Company.

10. INFORMATION CONCERNING PARENT, SUBSIDIARIES, AND AFFILIATES

Pursuant to the terms of separate management agreements for Medicare and the ASO programs, UAS will provide management services to the Company, until terminated upon the written agreement of both parties, for a fee based on a percentage of net premium income and change in unearned premium reserves (Medicare) and 95% of ASO fees earned, respectively. Management fees under these arrangements totaled approximately \$20,000 and \$5,276,000 in 2011 and 2010, respectively, and are included in general administrative expenses and claims adjustment expenses in the accompanying statutory basis statements of operations. The Company did not incur any management fees associated with the ASO program in 2010 or 2011. In addition, UAS pays, on the Company’s behalf, certain expenses not covered within the scope of the management agreement. UAS is reimbursed for these expenses by the Company.

NOTES TO FINANCIAL STATEMENTS

Management believes that its transactions with affiliates are fair and reasonable; however, operations of the Company may not be indicative of those that would have occurred if it had operated as an independent company.

The Company contracts with affiliates (UAS and OptumRx) to provide administrative services related to pharmacy management and pharmacy claims processing for its enrollees. Fees related to these agreements, which are calculated on a per-claim basis, of approximately \$0 and \$193,000 in 2011 and 2010, respectively, are included in general administrative expenses and claims adjustment expenses in the accompanying statutory basis statements of operations. Additionally, the affiliates collect rebates on certain pharmaceutical products based on member utilization. Rebates related to these agreements of approximately \$16,000 and \$722,000 in 2011 and 2010, respectively, are included as a reduction of prescription drugs in the accompanying statutory basis statements of operations.

At December 31, 2011 and 2010, the Company reported \$63,000 and \$0 respectively, as receivables from parent, subsidiaries and affiliates and \$1,000 and \$985,000, respectively, as amounts due to parent, subsidiaries, and affiliates, which are included in the statutory basis statements of admitted assets, liabilities, and capital and surplus. These balances are generally settled within 90 days from the incurred date. Any balances due to the Company that are not settled within 90 days are considered nonadmitted assets.

The Company has entered into a Tax Sharing Agreement with UnitedHealth Group (see Note 9).

The Company paid dividends of \$0 and \$11,000,000 in 2011 and 2010, respectively, to its parent (see Note 13).

The Company does not have any investments in a subsidiary, controlled, or affiliated entity that exceeds 10% of admitted assets

The Company has not extended any guarantees or undertakings for the benefit of an affiliate or related party, it does not have any investments in a foreign insurance subsidiary and it does not hold any investments in a downstream noninsurance holding company.

11. DEBT

The Company had no outstanding debt with third parties during 2011 and 2010.

12. RETIREMENT PLANS, DEFERRED COMPENSATION, POSTEMPLOYMENT BENEFITS AND COMPENSATED ABSENCES, AND OTHER POSTRETIREMENT BENEFIT PLANS

The Company has no retirement plan, deferred compensation, or other benefit plans, since all personnel are employees of United HealthCare Services, Inc. (UHS), an affiliate of UAS, which provides services to the Company under the terms of a management agreement (see Note 10).

13. CAPITAL AND SURPLUS, SHAREHOLDERS' DIVIDEND RESTRICTIONS, AND QUASI-REORGANIZATIONS

The Company has 2,000 shares authorized and 100 shares issued and outstanding of no par value and \$1 stated value common capital stock. The Company has no preferred stock outstanding. All issued and outstanding shares of common stock are held by the Company's parent, TRH.

The insurance laws of the State of Tennessee require all dividends and other distribution to shareholders must be reported to the Commissioner of Commerce and Insurance within five days following the declaration thereof and at least ten days prior to payment. An extraordinary dividend is one which exceeds the greater of 10% of the Company's surplus as of December 31 next preceding or the net income for the twelve month period ending December 31 next preceding. Extraordinary dividends must be approved in advance by the Commissioner of Commerce and Insurance.

The Company paid ordinary cash dividends to TRH of \$0 in 2011 and \$8,500,000 on August 11, 2010, which required no approval and were recorded as reductions to unassigned surplus in the accompanying statutory basis statements of admitted assets, liabilities, and capital and surplus.

The Company paid extraordinary cash dividends to TRH of \$0 in 2011 and \$2,500,000 on December 22, 2010, which required approval and was recorded as a reduction to unassigned surplus in the accompanying statutory basis statements of admitted assets, liabilities, and capital and surplus.

NOTES TO FINANCIAL STATEMENTS

There are no restrictions placed on the Company’s unassigned surplus. The company does not hold any stock, including stock of affiliated companies for special purposes, such as conversion of preferred stock, employee stock options or stock purchase warrants.

The Company does not have any special surplus funds.

The portion of unassigned funds represented or (reduced by) each item below is as follows (in thousands):

	2011	2010
Nonadmitted assets	\$ 339	\$ 15
Total	\$ 339	\$ 15

The Company has never been a party to a quasi-reorganization and does not have any outstanding surplus notes.

14. CONTINGENCIES

Because of the nature of the business, the Company is routinely made party to a variety of legal actions related to the design and management of its service offerings. The Company records liabilities for estimates of probable costs resulting from these matters where appropriate. These matters include, but are not limited to, claims relating to health care benefits coverage, medical malpractice actions, contract disputes, and claims related to certain other business practices. Although the outcomes of any such legal actions cannot be predicted, in the opinion of management, the resolution of any currently pending or threatened actions will not have a material adverse effect on the accompanying statutory basis statements of admitted assets, liabilities, and capital and surplus or statutory basis statements of operations of the Company.

The Company’s business is regulated at the federal, state and local levels. The laws and rules governing the Company’s business and interpretations of those laws and rules are subject to frequent change. Broad latitude is given to the agencies administering those regulations. Further, the Company must obtain and maintain regulatory approvals to market and sell many of its products.

The Company has been and is currently involved in various governmental investigations, audits and reviews. These include routine, regular and special investigations, audits and reviews by CMS, state insurance and health and welfare departments, state attorneys general, the Office of Inspector General (OIG), the Office of Personnel Management, the Office of Civil Rights, U.S. Congressional committees, the U.S. Department of Justice, U.S. Attorneys, the SEC, the IRS, the U.S. Department of Labor, the Federal Deposit Insurance Corporation and other governmental authorities. Examples of audits include the risk adjustment data validation (RADV) audits discussed below and a review by the U.S. Department of Labor of the Company’s administration of applicable customer employee benefit plans with respect to ERISA compliance.

Government actions can result in assessment of damages, civil or criminal fines or penalties, or other sanctions, including loss of licensure or exclusion from participation in government programs and could have a material adverse impact on the accompanying statutory basis statements of admitted assets, liabilities, and capital and surplus or statutory basis statements of operations of the Company.

- Risk Adjustment Data Validation Audit. CMS adjusts capitation payments to Medicare Advantage plans and Medicare Part D plans according to the predicted health status of each beneficiary as supported by data from health care providers as well as, for Medicare Part D plans only, based on comparing costs predicted in the Company's annual bids to actual prescription drug costs. The Company collects claim and encounter data from providers, who the Company generally relies on to appropriately code their claim submissions and document their medical records. CMS then determines the risk score and payment amount for each enrolled member based on the health care data submitted and member demographic information.

NOTES TO FINANCIAL STATEMENTS

- In 2008, CMS announced that it would perform RADV audits of selected Medicare Advantage health plans each year to validate the coding practices of and supporting documentation maintained by health care providers. These audits involve a review of medical records maintained by providers and may result in retrospective adjustments to payments made to health plans. Certain of the Company's health plans have been selected for audit. These audits are focused on medical records supporting risk adjustment data for 2006 that were used to determine 2007 payment amounts. Although these audits are ongoing, the Company does not believe they will have a material impact on the accompanying statutory basis statements of admitted assets, liabilities, and capital and surplus or statutory basis statements of operations of the Company.
- In December 2010, CMS published for public comment a new proposed RADV audit and payment adjustment methodology. The proposed methodology contains provisions allowing retroactive contract level payment adjustments for the year audited using an extrapolation of the "error rate" identified in audit samples. The Company has submitted comments to CMS regarding concerns the Company has with CMS' proposed methodology. These concerns include, among others, the fact that the proposed methodology does not take into account the "error rate" in the original Medicare fee-for-service data that was used to develop the risk adjustment system. Additionally, payments received from CMS, as well as benefits offered and premiums charged to members, are based on actuarially certified bids that did not include any assumption of retroactive audit payment adjustments. The Company believes that applying retroactive audit and payment adjustments after CMS acceptance of bids undermines the actuarial soundness of the bids. On February 3, 2011, CMS notified the Company that CMS was evaluating all comments received on the proposed methodology and that it anticipated making changes to the draft, based on input CMS had received. On February 24, 2012 CMS issued their final audit approach methodology. Management is currently evaluating the impact the revised methodology could have on the accompanying statutory basis financial statements. Potential payment adjustments could have a material adverse effect on the accompanying statutory basis statements of admitted assets, liabilities, and capital and surplus or statutory basis statements of operations of the Company.

During the first quarter of 2010, the Patient Protection and Affordable Care Act and a reconciliation measure, the Health Care and Education Reconciliation Act of 2010 (collectively known as Health Reform Legislation), were signed into law. The Health Reform Legislation expands access to coverage and modifies aspects of the commercial insurance market, as well as the Medicaid and Medicare programs, Children's Health Insurance Plan (CHIP), and other aspects of the health care system. Certain provisions of the Health Reform Legislation have already taken effect, and other provisions become effective at various dates over the next several years. The Department of Health and Human Services (HHS), the Department of Labor (DOL) and the Treasury Department have issued regulations or proposed regulations on a number of aspects of Health Reform Legislation, but final rules and interim guidance on the other key aspects of the legislation remain pending.

Certain aspects of the Health Reform Legislation are also being challenged in federal court, with the proponents of such challenges seeking to limit the scope of or have all or portions of the Health Reform Legislation declared unconstitutional. The United States Supreme Court is scheduled to hear oral arguments on certain aspects of these cases in March 2012, including the constitutionality of the individual mandate. Congress may also withhold the funding necessary to implement the Health Reform Legislation, or may attempt to replace the legislation with amended provisions or repeal it altogether.

The Health Reform Legislation and the related federal and state regulations will impact how the Company does business and could restrict revenue and enrollment growth in certain products and market segments, restrict premium growth rates for certain products and market segments, increase the Company's medical and administrative costs, expose the Company to an increased risk of liability (including increasing our liability in federal and state courts for coverage determinations and contract interpretation) or put the Company at risk for loss of business. In addition, the Company's results of operations, financial condition, and cash flows could be materially adversely affected by such changes. The Health Reform Legislation may create new or expand existing opportunities for business growth, but due to its complexity, the impact of the Health Reform Legislation remains difficult to predict and is not yet fully known.

The Company is not aware of any assessments, potential or accrued, that could have a material financial effect on the operations of the entity or any gain contingencies that should be recorded or disclosed in the financial statements

There are no assets that the Company considers to be impaired at December 31, 2011 and 2010, except as disclosed in Note 5 and Note 20.

NOTES TO FINANCIAL STATEMENTS

15. LEASES

According to the management agreement between the Company and UAS (see Note 10), operating leases for the rental of office facilities and equipment are the responsibility of UAS. Fees associated with the management agreement are included in the Company's management fee.

16. INFORMATION ABOUT FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK AND FINANCIAL INSTRUMENTS WITH CONCENTRATIONS OF CREDIT RISK

The Company does not hold any financial instruments with off-balance-sheet risk or concentrations of credit risk.

17. SALE, TRANSFER, AND SERVICING OF FINANCIAL ASSETS AND EXTINGUISHMENTS OF LIABILITIES

The Company did not participate in any transfer of receivables, financial assets, or wash sales.

18. GAIN OR LOSS TO THE REPORTING ENTITY FROM UNINSURED PLANS AND THE UNINSURED PORTION OF PARTIALLY INSURED PLANS

The Medicare Part D program is a partially insured plan. The Company recorded a liability of \$0 and \$34,000 at December 31, 2011 and 2010, respectively, for cost reimbursements under the Medicare Part D program for the catastrophic reinsurance and low-income member cost-sharing subsidies as described in Note 1 *Amounts Receivable Relating to Uninsured Plans and Liability for Amounts Held Under Uninsured Plans*. The Company did not have a receivable nor payable to record at December 31, 2011 for the Medicare Part D Coverage Gap Discount Program as described in Note 1, *Amounts Receivable Relating to Uninsured Plans and Liability for Amounts Held Under Uninsured Plans*.

19. DIRECT PREMIUM WRITTEN/PRODUCED BY MANAGING GENERAL AGENTS/THIRD-PARTY ADMINISTRATORS

The Company did not have any direct premiums written or produced by managing general agents or third-party administrators.

20. FAIR VALUE MEASUREMENT

The NAIC SAP defines fair value, establishes a framework for measuring fair value, and outlines the disclosure requirements related to fair value measurements. The fair value hierarchy is as follows:

Level 1 — Quoted (unadjusted) prices for identical assets in active markets.

Level 2 — Other observable inputs, either directly or indirectly, including:

- Quoted prices for similar assets in active markets
- Quoted prices for identical or similar assets in nonactive markets (few transactions, limited information, noncurrent prices, high variability over time, etc.)
- Inputs other than quoted prices that are observable for the asset (interest rates, yield curves, volatilities, default rates, etc.)
- Inputs that are derived principally from or corroborated by other observable market data

Level 3 — Unobservable inputs that cannot be corroborated by observable market data.

NOTES TO FINANCIAL STATEMENTS

The estimated fair values of bonds and short-term investments (investments) are based on quoted market prices, where available. The Company obtains one price for each security primarily from a third-party pricing service (pricing service), which generally uses quoted or other observable inputs for the determination of fair value. The pricing service normally derives the security prices through recently reported trades for identical or similar securities, making adjustments through the reporting date based upon available observable market information. For securities not actively traded, the pricing service may use quoted market prices of comparable instruments or discounted cash flow analyses, incorporating inputs that are currently observable in the markets for similar securities. Inputs that are often used in the valuation methodologies include, but are not limited to, non-binding broker quotes, benchmark yields, credit spreads, default rates and prepayment speeds. As the Company is responsible for the determination of fair value, it performs quarterly analyses on the prices received from the pricing service to determine whether the prices are reasonable estimates of fair value. Specifically, the Company compares the prices received from the pricing service to prices reported by its custodian, its investment consultant and third-party investment advisors. Additionally, the Company compares changes in the reported market values and returns to relevant market indices to test the reasonableness of the reported prices. Based on the Company's internal price verification procedures and review of fair value methodology documentation provided by independent pricing services, the Company has not historically adjusted the prices obtained from the pricing service.

In instances in which the inputs used to measure fair value fall into different levels of the fair value hierarchy, the fair value measurement has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular item to the fair value measurement in its entirety requires judgment, including the consideration of inputs specific to the asset or liability.

The Company has does not have any financial assets that are measured and reported at fair value on the statutory basis statements of admitted assets, liabilities, and capital and surplus at December 31, 2011 and 2010.

The Company does not have any financial assets with a fair value hierarchy of level 3.

21. OTHER ITEMS

The Company's business is regulated at federal, state and local levels, and the Company must obtain and maintain regulatory approvals to market and sell many of its products. The laws and rules governing the Company's business and interpretations of those laws and rules are subject to frequent change. Broad latitude is given to the agencies administering those regulations. State legislatures and Congress continue to focus on health care issues.

The Company did not encounter any extraordinary items for the years ended December 31, 2011 or 2010.

The Company has no troubled debt restructurings as of December 31, 2011 or 2010.

The Company routinely evaluates the collectability of all receivable amounts included within the statutory basis statements of admitted assets, liabilities, and capital and surplus. Reserves are established for those amounts where collectability is uncertain. Based on the Company's past experience, exposure related to uncollectible balances and the potential of loss for those balances not currently reserved for is not material to the Company's financial condition.

The Company has not received any business interruption insurance recoveries during 2011 and 2010, and does not have any state transferable tax credits or hybrid securities as of December 31, 2011 and 2010.

The Company elected to use rounding in reporting amounts in the notes to statutory basis financial statements.

Sub Prime Mortgage Related Risk Exposure The investment policy for the Company limits investments in asset backed securities, which includes the sub prime issuers. Further, the policy limits investments in private issuer mortgage securities to 10% of the portfolio, which also includes sub prime issuers. The exposure to unrealized losses on sub prime issuers is due to changes in market prices. There are no realized losses due to not receiving anticipated cash flows. The investments covered are rated NAIC rating of 1 or 2. The Company has no direct exposure through investments in sub prime mortgage loans. The Company has no underwriting exposure to sub prime mortgage risk through mortgage guaranty or financial guaranty insurance coverage. The Company had no direct exposure through other investments related to sub-prime residential mortgage-backed securities and commercial mortgage-backed securities as of December 31, 2011.

NOTES TO FINANCIAL STATEMENTS

22. EVENTS SUBSEQUENT

The Company has evaluated subsequent events through February 28, 2012, which is the date these statutory basis financial statements were available for issuance.

There are no events subsequent to December 31, 2011 that require disclosure.

23. REINSURANCE

Reinsurance Agreements — In the normal course of business, the Company seeks to reduce potential losses that may arise from catastrophic events that cause unfavorable underwriting results by reinsuring certain levels of such risk with other nonaffiliated reinsurers. The Company remains primarily liable as the direct insurer on all risks reinsured.

- Effective January 1, 2009, health insurance was reinsured under a contract with United States Fire Insurance Company. The Company retained the first \$175,000 of Medicare hospital expense per case and a lifetime maximum of \$2,000,000 per individual. The reinsurance agreement with United State Fire Insurance Company expired on December 31, 2009 and was not replaced.

The effect of the external reinsurance agreements outlined above on net premium income and hospital and medical expenses is presented below (in thousands):

	2011	2010
Premiums:		
Direct	\$ (746)	\$ 44,928
Assumed	-	-
Ceded	-	-
	<u>\$ (746)</u>	<u>\$ 44,928</u>
Net premium income	<u>\$ (746)</u>	<u>\$ 44,928</u>
Hospital and medical expenses:		
Direct	\$ (2,684)	\$ 33,245
Assumed	-	-
Ceded	-	10
	<u>\$ (2,684)</u>	<u>\$ 33,255</u>
Net hospital and medical expenses	<u>\$ (2,684)</u>	<u>\$ 33,255</u>

The Company recognized reinsurance recoveries related to external reinsurance agreements of approximately \$0 and (\$10,000) in 2011 and 2010, respectively, which are recorded as net reinsurance recoveries in the accompanying statutory basis statements of operations. In addition, the Company did not recognize any reinsurance recoverables for paid or unpaid losses related to external reinsurance agreements in 2011 or 2010.

Ceded Reinsurance Report —

Section 1 — General Interrogatories

- a. Are any nonaffiliated reinsurers owned in excess of 10% or controlled, either directly or indirectly, by the Company or by any representative, officer, trustee, or director of the Company?
- Yes () No (X)
- b. Have any policies issued by the Company been reinsured with a company chartered in a country other than the United States (excluding U.S. branches of such companies) that is owned in excess of 10% or controlled directly or indirectly by an insured, a beneficiary, a creditor, or any other person not primarily engaged in the insurance business?
- Yes () No (X)

NOTES TO FINANCIAL STATEMENTS

Section 2 — Ceded Reinsurance — Part A

- 1) Does the Company have any reinsurance agreements in effect under which the reinsurer may unilaterally cancel any reinsurance for reasons other than for nonpayment of premium or other similar credit?

Yes () No (X)

- 2) Does the reporting entity have any reinsurance agreements in effect that the amount of losses paid or accrued through the statement date may result in a payment to the reinsurer of amounts that, in aggregate and allowing for offset of mutual credits from other reinsurance agreements with the same reinsurer, exceed the total direct premium collected under the reinsured policies?

Yes () No (X)

Section 3 — Ceded reinsurance — Part B

- 1) What is the estimated amount of the aggregate reduction in surplus (for agreements other than those under which the reinsurer may unilaterally cancel for reasons other than for nonpayment of premium or other similar credits that are reflected in Section 2 above) of termination of all reinsurance agreements, by either party, as of the date of this statement? Where necessary, the Company may consider the current or anticipated experience of the business reinsured in making this estimate.

The Company estimates there should be no aggregate reduction in surplus for termination of all reinsurance agreements as of December 31, 2011.

- 2) Have any new agreements been executed or existing agreements amended, since January 1 of the year of this statement, to include policies or contracts that were in force or which had existing reserves established by the Company as of the effective date of the agreement?

Yes () No (X)

Unsecured Reinsurance Recoverable — The Company does not have an unsecured aggregate reinsurance recovery receivable with any individual reinsurers, authorized or unauthorized, that exceeds 3% of the Company's policyholder surplus.

Reinsurance Recoverable in Dispute — The Company does not have a reinsurance recoverable balance that is being disputed by any individual reinsurer.

Reinsurance Assumed and Ceded — The Company does not have a provision in its reinsurance contract to return commissions to the reinsurer in the event that the Company cancels its reinsurance policy.

Uncollectible Reinsurance — During 2011 and 2010, there were no uncollectible reinsurance recoverables.

Commutation of Reinsurance — There was no commutation of reinsurance in 2011 or 2010.

Retroactive Reinsurance — The Company did not have a retroactive reinsurance agreement in 2011 or 2010.

24. RETROSPECTIVELY RATED CONTRACTS AND CONTRACTS SUBJECT TO REDETERMINATION

The Company has Medicare Part D program business which is subject to a retrospective rating feature related to Part D Premiums. The Company has estimated accrued retrospective premiums related to certain Part D premiums based on guidelines determined by CMS. The formula is tiered and based on the bid medical loss ratio. The amount of Part D earned premiums subject to retrospective rating was (\$123,000) and \$2,973,000 representing 100% and 100% of total net premium income for 2011 and 2010, respectively.

Estimated accrued retrospective premiums due from the Company are recorded in aggregate health policy reserves in the statutory basis statements of admitted assets, liabilities, and capital and surplus and as an adjustment to change in unearned premium reserves and reserves for rate credits in the statutory basis statements of operations.

NOTES TO FINANCIAL STATEMENTS

The Company does not have any other retrospectively rated contracts subject to redetermination as of December 31, 2011 or 2010.

25. CHANGE IN INCURRED CLAIMS AND CLAIMS ADJUSTMENT EXPENSES

Changes in estimates related to the prior year incurred claims are included in total hospital and medical expenses in the current year in the accompanying statutory basis statements of operations. The following tables disclose paid claims, incurred claims, and the balance in the claims unpaid, and aggregate health claim reserves and health care receivables for 2011 and 2010 (in thousands):

	2011		
	Current Year Incurred Claims	Prior Years Incurred Claims	Total
Beginning of year claim reserve	\$ -	\$ (7,292)	\$ (7,292)
Paid claims	-	4,608	4,608
End of year claim reserve	-	-	-
Incurred claims	<u>\$ -</u>	<u>\$ (2,684)</u>	<u>\$ (2,684)</u>

	2010		
	Current Year Incurred Claims	Prior Years Incurred Claims	Total
Beginning of year claim reserve	\$ -	\$ (8,444)	\$ (8,444)
Paid claims	26,477	7,930	34,407
End of year claim reserve	<u>6,250</u>	<u>1,042</u>	<u>7,292</u>
Incurred claims	<u>\$ 32,727</u>	<u>\$ 528</u>	<u>\$ 33,255</u>

The liability for claims unpaid, and aggregate health claim reserves at December 31, 2010 and 2009, was more in 2011 and less in 2010 than actual claims incurred, respectively, related to prior years by approximately \$2,684,000 and \$528,000, respectively. The primary drivers consist of favorable development as a result of ongoing analysis of loss development trends and changes to the provider settlement reserves.

The Company incurred claims adjustment expenses of approximately \$(156,000) and \$1,685,000 in 2011 and 2010, respectively. These costs are included in the management service fees paid by the Company to UAS as a part of its management agreement (see Note 10). The following tables disclose paid CAE, incurred CAE, and the balance in the unpaid claim adjustment expenses reserve for 2011 and 2010 (in thousands):

	2011	2010
Total claims adjustment expenses incurred	\$ (156)	\$ 1,674
Less current year unpaid claims adjustment expenses	-	(156)
Add prior year unpaid claims adjustment expenses	<u>156</u>	<u>167</u>
Total claims adjustment expenses paid	<u>\$ -</u>	<u>\$ 1,685</u>

26. INTERCOMPANY POOLING ARRANGEMENTS

The Company did not have any intercompany pooling arrangements in 2011 or 2010.

27. STRUCTURED SETTLEMENTS

The Company did not have structured settlements in 2011 or 2010.

NOTES TO FINANCIAL STATEMENTS

28. HEALTH CARE AND OTHER RECEIVABLES

Pharmacy rebates receivable are recorded when reasonably estimated or billed by the pharmaceutical benefit manager in accordance with pharmacy rebate contract provisions. Information used to support rebates billed to the manufacturer is based on utilization information gathered by the pharmaceutical benefit manager and adjusted for significant changes in pharmaceutical contract provisions.

The Company has excluded receivables that do not meet the admissibility criteria from the statutory basis statements of admitted assets, liabilities, and capital and surplus.

29. PARTICIPATING POLICIES

The Company did not have any participating contracts in 2011 or 2010.

30. PREMIUM DEFICIENCY RESERVES

The Company has not recorded any premium deficiency reserves as of December 31, 2011 or 2010.

31. ANTICIPATED SALVAGE AND SUBROGATION

Due to the type of business being written, the Company has no salvage. As of December 31, 2011 and 2010, the Company had no specific accruals established for outstanding subrogation, as it is considered a component of the actuarial calculations used to develop the estimates of claims unpaid and aggregate health claim reserves.

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES
GENERAL

1.1

Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer?

Yes ☒ No ☐

1.2

If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent, or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations?

Yes ☒ No ☐ N/A ☐

1.3

State Regulating?

Tennessee

2.1

Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes ☐ No ☒

2.2

If yes, date of change:

3.1

State as of what date the latest financial examination of the reporting entity was made or is being made.

01/25/2010

3.2

State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.

12/31/2009

3.3

State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).

06/28/2011

3.4

By what department or departments?
Tennessee Department of Commerce and Insurance

3.5

Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with Departments?

Yes ☐ No ☐ N/A ☒

3.6

Have all of the recommendations within the latest financial examination report been complied with?

Yes ☒ No ☐ N/A ☐

4.1

During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity), receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
4.11 sales of new business?
4.12 renewals?

Yes ☐ No ☒
Yes ☐ No ☒

4.2

During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
4.21 sales of new business?
4.22 renewals?

Yes ☐ No ☒
Yes ☐ No ☒

5.1

Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes ☐ No ☒

5.2

If yes, provide the name of the entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1	2	3
Name of Entity	NAIC Company Code	State of Domicile

6.1

Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period?

Yes ☐ No ☒

6.2

If yes, give full information:

7.1

Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity?

Yes ☐ No ☒

7.2

If yes,
7.21 State the percentage of foreign control;
7.22 State the nationality(s) of the foreign person(s) or entity(s) or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact; and identify the type of entity(s) (e.g., individual, corporation or government, manager or attorney in fact).

%

1	2
Nationality	Type of Entity

GENERAL INTERROGATORIES

8.1

Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board?

Yes [] No [X]

8.2

If response to 8.1 is yes, please identify the name of the bank holding company.

8.3

Is the company affiliated with one or more banks, thrifts or securities firms?

Yes [X] No []

8.4

If response to 8.3 is yes, please provide the names and locations (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 OTS	6 FDIC	7 SEC
OptumHealth Bank, Inc.	Salt Lake City, Utah	NO	NO	NO	YES	NO

9.

What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?

The State of Tennessee Department of Commerce and Insurance approved an exemption for the Audited Financial Statement filing for the 2011 calendar year. Therefore, it is not applicable for an independent certified public accountant nor an accounting firm to be retained.

10.1

Has the insurer been granted any exemptions to the prohibited non-audit services provided by the certified independent public accountant requirements as allowed in Section 7H of the Annual Financial Reporting Model Regulation (Model Audit Rule), or substantially similar state law or regulation?

Yes [] No [X]

10.2

If the response to 10.1 is yes, provide information related to this exemption:

10.3

Has the insurer been granted any exemptions related to the other requirements of the Annual Financial Reporting Model Regulation as allowed for in Section 17A of the Model Regulation, or substantially similar state law or regulation?

Yes [X] No []

10.4

If the response to 10.3 is yes, provide information related to this exemption:

The State of Tennessee Department of Commerce and Insurance approved an exemption for the Audited Financial Statement filing for the 2011 calendar year.

10.5

Has the reporting entity established an Audit Committee in compliance with the domiciliary state insurance laws?

Yes [X] No [] N/A []

10.6

If the response to 10.5 is no or n/a, please explain

11.

What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?

Jed L. Linfield, FSA, MAAA Director of Actuarial Reserving Services, UnitedHealthcare Community and State 12010 Sunrise Valley Drive Reston, VA 20191

12.1

Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly?

Yes [] No [X]

12.11

Name of real estate holding company

12.12

Number of parcels involved

12.13

Total book/adjusted carrying value

\$

12.2

If, yes provide explanation:

13.

FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:

13.1

What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?

13.2

Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located?

Yes [] No []

13.3

Have there been any changes made to any of the trust indentures during the year?

Yes [] No []

13.4

If answer to (13.3) is yes, has the domiciliary or entry state approved the changes?

Yes [] No [] N/A [X]

14.1

Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards?

Yes [X] No []

(a)

Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;

(b)

Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;

(c)

Compliance with applicable governmental laws, rules and regulations;

(d)

The prompt internal reporting of violations to an appropriate person or persons identified in the code; and

(e)

Accountability for adherence to the code.

14.11

If the response to 14.1 is No, please explain:

14.2

Has the code of ethics for senior managers been amended?

Yes [X] No []

14.21

If the response to 14.2 is yes, provide information related to amendment(s).

UnitedHealth Group's previous code of conduct ("The Principles of Ethics & Integrity") was somewhat outdated and had not been substantially revised in many years. In 2010, the Company's compliance and ethics team began the process of researching best practices and benchmarking our code against other companies' codes. On May 24, 2011, the UnitedHealth Group Board of Directors adopted the newly revised "Code of Conduct: Our Principles of Ethics & Integrity." The Code covers all employees at all levels. The topics covered in the new Code are not considerably different, but the material is now much more user- friendly, intuitive and helpful in both aesthetics and content.

14.3

Have any provisions of the code of ethics been waived for any of the specified officers?

Yes [] No [X]

14.31

If the response to 14.3 is yes, provide the nature of any waiver(s).

GENERAL INTERROGATORIES

- 15.1 Is the reporting entity the beneficiary of a Letter of Credit that is unrelated to reinsurance with a NAIC rating of 3 or below? Yes ☐ No ☒
- 15.2 If the response to 15.1 is yes, indicate the American Bankers Association (ABA) Routing Number and the name of the issuing or confirming bank of the Letter of Credit and describe the circumstances in which the Letter of Credit is triggered.

1 American Bankers Association (ABA) Routing Number	2	3	4
	Issuing or Confirming Bank Name	Circumstances That Can Trigger the Letter of Credit	Amount

BOARD OF DIRECTORS

16. Is the purchase or sale of all investments of the reporting entity passed upon either by the board of directors or a subordinate committee thereof? Yes ☒ No ☐
17. Does the reporting entity keep a complete permanent record of the proceedings of its board of directors and all subordinate committees thereof? Yes ☒ No ☐
18. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict with the official duties of such person? Yes ☒ No ☐

FINANCIAL

19. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)? Yes ☐ No ☒
- 20.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):

20.11 To directors or other officers\$

20.12 To stockholders not officers\$

20.13 Trustees, supreme or grand (Fraternal Only)\$
- 20.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):

20.21 To directors or other officers\$

20.22 To stockholders not officers\$

20.23 Trustees, supreme or grand (Fraternal Only)\$
- 21.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes ☐ No ☒
- 21.2 If yes, state the amount thereof at December 31 of the current year:

21.21 Rented from others\$

21.22 Borrowed from others\$

21.23 Leased from others\$

21.24 Other\$
- 22.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? Yes ☐ No ☒
- 22.2 If answer is yes:

22.21 Amount paid as losses or risk adjustment\$

22.22 Amount paid as expenses\$

22.23 Other amounts paid\$
- 23.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes ☒ No ☐
- 23.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount:\$0

INVESTMENT

- 24.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date? (other than securities lending programs addressed in 24.3) Yes ☒ No ☐
- 24.2 If no, give full and complete information relating thereto
- 24.3 For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet. (an alternative is to reference Note 17 where this information is also provided)
- 24.4 Does the Company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions? Yes ☐ No ☐ N/A ☒
- 24.5 If answer to 24.4 is yes, report amount of collateral for conforming programs.\$
- 24.6 If answer to 24.4 is no, report amount of collateral for other programs.\$
- 24.7 Does your securities lending program require 102% (domestic securities) and 105% (foreign securities) from the counterparty at the outset of the contract? Yes ☐ No ☐ N/A ☒
- 24.8 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%? Yes ☐ No ☐ N/A ☒
- 24.9 Does the reporting entity or the reporting entity 's securities lending agent utilize the Master Securities lending Agreement (MSLA) to conduct securities lending? Yes ☐ No ☐ N/A ☒

GENERAL INTERROGATORIES

25.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 21.1 and 24.3). Yes ☒ No ☐

25.2 If yes, state the amount thereof at December 31 of the current year:

25.21 Subject to repurchase agreements	\$	0
25.22 Subject to reverse repurchase agreements	\$	0
25.23 Subject to dollar repurchase agreements	\$	0
25.24 Subject to reverse dollar repurchase agreements	\$	0
25.25 Pledged as collateral	\$	0
25.26 Placed under option agreements	\$	0
25.27 Letter stock or other securities restricted as to sale	\$	0
25.28 On deposit with state or other regulatory body	\$	5,849,592
25.29 Other	\$	0

25.3 For category (25.27) provide the following:

1 Nature of Restriction	2 Description	3 Amount

26.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes ☐ No ☒

26.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes ☐ No ☐ N/A ☒
If no, attach a description with this statement.

27.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes ☐ No ☒

27.2 If yes, state the amount thereof at December 31 of the current year. \$

28. Excluding items in Schedule E - Part 3 - Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 1, III - General Examination Considerations, F. Outsourcing of Critical Functions, Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes ☒ No ☐

28.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian's Address
Bank of New York Mellon	Global Liquidity Services, 1 Wall St., 14th Floor, New York, NY 10286

28.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)

28.03 Have there been any changes, including name changes, in the custodian(s) identified in 28.01 during the current year? Yes ☐ No ☒

28.04 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason

28.05 Identify all investment advisors, brokers/dealers or individuals acting on behalf of brokers/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository Number(s)	2 Name	3 Address
	Internally Managed	

ANNUAL STATEMENT FOR THE YEAR 2011 OF THE Unison Health Plan of Tennessee, Inc.

GENERAL INTERROGATORIES

- 29.1 Does the reporting entity have any diversified mutual funds reported in Schedule D, Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5(b)(1)])? Yes [] No [X]
- 29.2 If yes, complete the following schedule:

1	2	3
CUSIP #	Name of Mutual Fund	Book/Adjusted Carrying Value
29.2999 - Total		0

- 29.3 For each mutual fund listed in the table above, complete the following schedule:

1	2	3	4
Name of Mutual Fund (from above table)	Name of Significant Holding of the Mutual Fund	Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	Date of Valuation

30. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1	2	3
	Statement (Admitted) Value	Fair Value	Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
30.1 Bonds	5,853,428	5,902,059	48,631
30.2 Preferred stocks	0	0	0
30.3 Totals	5,853,428	5,902,059	48,631

- 30.4 Describe the sources or methods utilized in determining the fair values:
For those securities that had prices in the NAIC SVO ISIS database, those prices were used; for those securities that did not have prices in the NAIC SVO ISIS database, pricing was obtained from HUB which is an external data sources vendor. Hub utilizes various pricing sources.

- 31.1 Was the rate used to calculate fair value determined by a broker or custodian for any of the securities in Schedule D? Yes [] No [X]
- 31.2 If the answer to 31.1 is yes, does the reporting entity have a copy of the broker's or custodian's pricing policy (hard copy or electronic copy) for all brokers or custodians used as a pricing source? Yes [] No []
- 31.3 If the answer to 31.2 is no, describe the reporting entity's process for determining a reliable pricing source for purposes of disclosure of fair value for Schedule D:
http://www.hubdata.com/HMDWeb/Logon.asp
- 32.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed? Yes [X] No []
- 32.2 If no, list exceptions:
N/A

GENERAL INTERROGATORIES

OTHER

33.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any?\$0

33.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to trade associations, service organizations and statistical or rating bureaus during the period covered by this statement.

1 Name	2 Amount Paid

34.1 Amount of payments for legal expenses, if any?\$0

34.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid

35.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any?\$0

35.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1 Name	2 Amount Paid

GENERAL INTERROGATORIES

PART 2 - HEALTH INTERROGATORIES

1.1

Does the reporting entity have any direct Medicare Supplement Insurance in force?

Yes [☐] No [☒]

1.2

If yes, indicate premium earned on U.S. business only.

\$ 0

1.3

What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?

\$ 0

1.31 Reason for excluding

1.4

Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above

\$ 0

1.5

Indicate total incurred claims on all Medicare Supplement Insurance.

\$ 0

1.6

Individual policies:

Most current three years:

1.61 Total premium earned\$ 0

1.62 Total incurred claims\$ 0

1.63 Number of covered lives0

All years prior to most current three years:

1.64 Total premium earned\$ 0

1.65 Total incurred claims\$ 0

1.66 Number of covered lives0

1.7

Group policies:

Most current three years:

1.71 Total premium earned\$ 0

1.72 Total incurred claims\$ 0

1.73 Number of covered lives0

All years prior to most current three years:

1.74 Total premium earned\$ 0

1.75 Total incurred claims\$ 0

1.76 Number of covered lives0

2.

Health Test:

1

Current Year

2

Prior Year

2.1

Premium Numerator

(745,536)

44,927,390

2.2

Premium Denominator

(745,536)

44,927,390

2.3

Premium Ratio (2.1/2.2)

1.000

1.000

2.4

Reserve Numerator

0

7,823,088

2.5

Reserve Denominator

0

7,823,088

2.6

Reserve Ratio (2.4/2.5)

0.000

1.000

3.1

Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits?

Yes [☐] No [☒]

3.2

If yes, give particulars:

4.1

Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and dependents been filed with the appropriate regulatory agency?

Yes [☒] No [☐]

4.2

If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered?

Yes [☐] No [☒]

5.1

Does the reporting entity have stop-loss reinsurance?

Yes [☐] No [☒]

5.2

If no, explain:

5.3

Maximum retained risk (see instructions)

5.31 Comprehensive Medical\$ 0

5.32 Medical Only\$ 0

5.33 Medicare Supplement\$ 0

5.34 Dental & Vision\$ 0

5.35 Other Limited Benefit Plan\$ 0

5.36 Other\$ 0

6.

Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:
Hold harmless agreements are included in all provider contracts.

7.1

Does the reporting entity set up its claim liability for provider services on a service date basis?.....

Yes [☒] No [☐]

7.2

If no, give details

8.

Provide the following information regarding participating providers:

8.1 Number of providers at start of reporting year1,183

8.2 Number of providers at end of reporting year0

9.1

Does the reporting entity have business subject to premium rate guarantees?

Yes [☐] No [☒]

9.2

If yes, direct premium earned:

9.21 Business with rate guarantees between 15-36 months..\$ 0

9.22 Business with rate guarantees over 36 months\$ 0

ANNUAL STATEMENT FOR THE YEAR 2011 OF THE Unison Health Plan of Tennessee, Inc.

GENERAL INTERROGATORIES

10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus Arrangements in its provider contracts? Yes [] No [X]

10.2 If yes:

10.21 Maximum amount payable bonuses.....\$0

10.22 Amount actually paid for year bonuses.....\$0

10.23 Maximum amount payable withholds.....\$0

10.24 Amount actually paid for year withholds.....\$0

11.1 Is the reporting entity organized as:

11.12 A Medical Group/Staff Model, Yes [] No [X]

11.13 An Individual Practice Association (IPA), or, . Yes [] No [X]

11.14 A Mixed Model (combination of above)? Yes [] No [X]

11.2 Is the reporting entity subject to Minimum Net Worth Requirements? Yes [X] No []

11.3 If yes, show the name of the state requiring such net worth. Tennessee

11.4 If yes, show the amount required.\$1,500,000

11.5 Is this amount included as part of a contingency reserve in stockholder's equity? Yes [] No [X]

11.6 If the amount is calculated, show the calculation

\$1,500,000 minimum OR 4% of the first \$150,000,000 of the annual amount received under the TennCare contract plus premium revenue as reported on the most recent annual statement filed with the commissioner and 1.5% of the amount received under the TennCare contract and annual premium revenue in excess of \$150,000,000. [(\$745,536) x 4% is less than \$1,500,000 minimum; therefore \$1,500,000]

12. List service areas in which reporting entity is licensed to operate:

1
Name of Service Area
Carroll, TN
Fayette, TN
Lake, TN
Lauderdale, TN
Obion, TN
Shelby, TN
Tipton, TN
.....

13.1 Do you act as a custodian for health savings accounts? Yes [] No [X]

13.2 If yes, please provide the amount of custodial funds held as of the reporting date.\$0

13.3 Do you act as an administrator for health savings accounts? Yes [] No [X]

13.4 If yes, please provide the balance of funds administered as of the reporting date.\$0

FIVE-YEAR HISTORICAL DATA

	1 2011	2 2010	3 2009	4 2008	5 2007
Balance Sheet (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 28)	7,651,470	15,113,232	28,189,667	21,373,557	12,046,541
2. Total liabilities (Page 3, Line 24)	503,119	9,376,022	14,673,750	11,058,680	5,218,042
3. Statutory surplus	1,500,000	1,797,096	2,508,160	6,120,722	5,111,954
4. Total capital and surplus (Page 3, Line 33)	7,148,351	5,737,210	13,515,917	10,314,877	6,828,499
Income Statement (Page 4)					
5. Total revenues (Line 8)	(214,278)	45,164,705	55,564,628	26,150,912	7,113,723
6. Total medical and hospital expenses (Line 18)	(2,683,846)	33,254,992	38,294,128	19,704,283	5,000,883
7. Claims adjustment expenses (Line 20)	(156,352)	1,674,101	1,079,636	651,737	(349,181)
8. Total administrative expenses (Line 21)	257,267	4,989,212	7,317,407	2,103,108	763,851
9. Net underwriting gain (loss) (Line 24)	2,368,653	5,246,400	8,873,456	3,691,784	1,698,170
10. Net investment gain (loss) (Line 27)	108,962	116,538	174,965	514,490	373,643
11. Total other income (Lines 28 plus 29)	0	0	0	0	0
12. Net income or (loss) (Line 32)	1,652,295	3,492,362	5,860,284	3,438,050	1,435,397
Cash Flow (Page 6)					
13. Net cash from operations (Line 11)	(5,900,093)	917,605	6,647,752	10,730,847	4,582,734
Risk-Based Capital Analysis					
14. Total adjusted capital	7,148,351	5,737,210	13,515,917	10,314,877	6,828,499
15. Authorized control level risk-based capital	34,122	1,777,627	1,945,926	1,278,896	450,215
Enrollment (Exhibit 1)					
16. Total members at end of period (Column 5, Line 7)	0	2,964	5,461	3,103	945
17. Total members months (Column 6, Line 7)	0	40,649	57,782	28,820	8,752
Operating Percentage (Page 4) (Item divided by Page 4, sum of Lines 2, 3 and 5) x 100.0					
18. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5)	100.0	100.0	100.0	100.0	100.0
19. Total hospital and medical plus other non-health (Lines 18 plus Line 19)	1,252.5	73.6	68.9	75.3	70.3
20. Cost containment expenses	0.0	2.4	1.7	0.5	(5.0)
21. Other claims adjustment expenses	73.0	1.3	0.3	2.0	0.1
22. Total underwriting deductions (Line 23)	1,205.4	88.4	84.0	85.9	76.1
23. Total underwriting gain (loss) (Line 24)	(1,105.4)	11.6	16.0	14.1	23.9
Unpaid Claims Analysis (U&I Exhibit, Part 2B)					
24. Total claims incurred for prior years (Line 13, Col. 5)	4,607,985	8,972,055	5,038,598	1,775,585	243,979
25. Estimated liability of unpaid claims-[prior year (Line 13, Col. 6)]	7,291,830	8,444,557	7,078,442	2,841,820	243,979
Investments In Parent, Subsidiaries and Affiliates					
26. Affiliated bonds (Sch. D Summary, Line 12, Col. 1)	0	0	0	0	0
27. Affiliated preferred stocks (Sch. D Summary, Line 18, Col. 1)				0	0
28. Affiliated common stocks (Sch. D Summary, Line 24, Col. 1)				0	0
29. Affiliated short-term investments (subtotal included in Schedule DA Verification, Col. 5, Line 10)	0	0	0	0	0
30. Affiliated mortgage loans on real estate					
31. All other affiliated					
32. Total of above Lines 26 to 31	0	0	0	0	0

NOTE: If a party to a merger, have the two most recent years of this exhibit been restated due to a merger in compliance with the disclosure requirements of SSAP No. 3, Accounting Changes and Correction of Errors? Yes [] No []

If no, please explain:

SCHEDULE T PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories									
States, etc.	1	Direct Business Only							
		2	3	4	5	6	7	8	9
	Active Status	Accident & Health Premiums	Medicare Title XVIII	Medicaid Title XIX	Federal Employees Health Benefits Program Premiums	Life & Annuity Premiums & Other Considerations	Property/ Casualty Premiums	Total Columns 2 Through 7	Deposit-Type Contracts
1. Alabama	AL	N						0	
2. Alaska	AK	N						0	
3. Arizona	AZ	N						0	
4. Arkansas	AR	N	(58,100)					(58,100)	
5. California	CA	N						0	
6. Colorado	CO	N						0	
7. Connecticut	CT	N						0	
8. Delaware	DE	N						0	
9. District of Columbia	DC	N						0	
10. Florida	FL	N						0	
11. Georgia	GA	N						0	
12. Hawaii	HI	N						0	
13. Idaho	ID	N						0	
14. Illinois	IL	N						0	
15. Indiana	IN	N						0	
16. Iowa	IA	N						0	
17. Kansas	KS	N						0	
18. Kentucky	KY	N						0	
19. Louisiana	LA	N						0	
20. Maine	ME	N						0	
21. Maryland	MD	N						0	
22. Massachusetts	MA	N						0	
23. Michigan	MI	N						0	
24. Minnesota	MN	N						0	
25. Mississippi	MS	N	(2,243)					(2,243)	
26. Missouri	MO	N						0	
27. Montana	MT	N						0	
28. Nebraska	NE	N						0	
29. Nevada	NV	N						0	
30. New Hampshire	NH	N						0	
31. New Jersey	NJ	N						0	
32. New Mexico	NM	N						0	
33. New York	NY	N						0	
34. North Carolina	NC	N						0	
35. North Dakota	ND	N						0	
36. Ohio	OH	N						0	
37. Oklahoma	OK	N						0	
38. Oregon	OR	N						0	
39. Pennsylvania	PA	N						0	
40. Rhode Island	RI	N						0	
41. South Carolina	SC	N						0	
42. South Dakota	SD	N						0	
43. Tennessee	TN	L	(685,193)					(685,193)	
44. Texas	TX	N						0	
45. Utah	UT	N						0	
46. Vermont	VT	N						0	
47. Virginia	VA	N						0	
48. Washington	WA	N						0	
49. West Virginia	WV	N						0	
50. Wisconsin	WI	N						0	
51. Wyoming	WY	N						0	
52. American Samoa	AS	N						0	
53. Guam	GU	N						0	
54. Puerto Rico	PR	N						0	
55. U.S. Virgin Islands	VI	N						0	
56. Northern Mariana Islands	MP	N						0	
57. Canada	CN	N						0	
58. Aggregate other alien	OT	XXX	0	0	0	0	0	0	0
59. Subtotal	XXX	0	(745,536)	0	0	0	0	(745,536)	0
60. Reporting entity contributions for Employee Benefit Plans	XXX							0	
61. Total (Direct Business)	(a) 1	0	(745,536)	0	0	0	0	(745,536)	0
DETAILS OF WRITE-INS									
5801.	XXX								
5802.	XXX								
5803.	XXX								
5898. Summary of remaining write-ins for Line 58 from overflow page	XXX	0	0	0	0	0	0	0	0
5899. Totals (Lines 5801 through 5803 plus 5898)(Line 58 above)	XXX	0	0	0	0	0	0	0	0

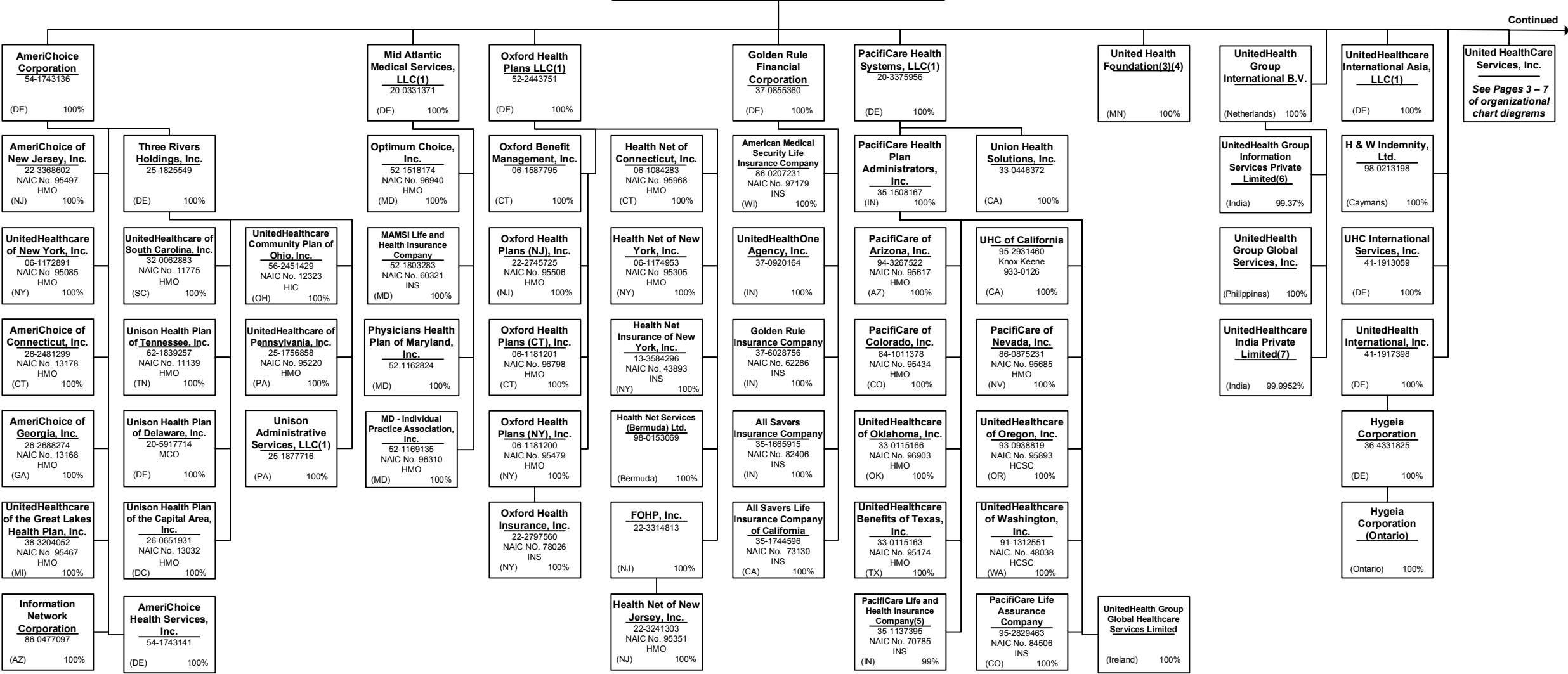
(L) Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) Registered - Non-domiciled RRGs; (Q) Qualified - Qualified or Accredited Reinsurer; (E) Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) None of the above - Not allowed to write business in the state.
Explanation of basis of allocation by states, premiums by state, etc.
There is no allocation of premiums by states as all premiums are written in and allocable to each state under separate contracts.
(a) Insert the number of L responses except for Canada and Other Alien.

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART

38

UnitedHealth Group Incorporated
(MN) 41-1321939



Continued From Prior Page

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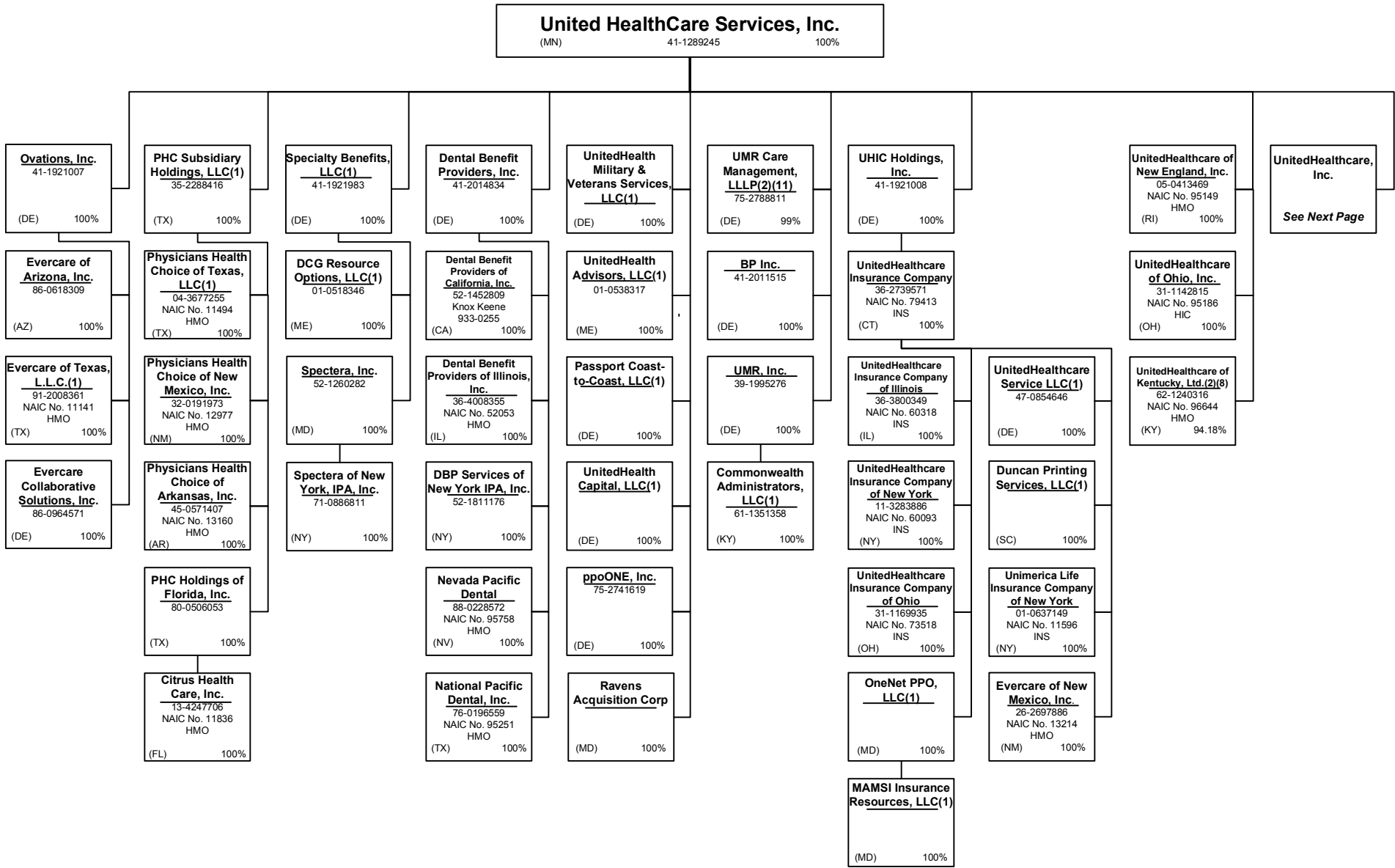
graph TD
    UHG["UnitedHealth Group Incorporated  
(MN) 41-1321939"]
    FMG["FMG Holdings, LLC(1)  
(DE) 100%"]
    FMEDEX_GL["FrontierMEDEX Group Limited  
(UK) 100%"]
    FMEDEX_US["FrontierMEDEX US, Inc.  
(DE) 100%"]
    FMEDEX_UK_L["FrontierMEDEX UK Limited  
(UK) 100%"]
    FMEDEX_US_Inc["FrontierMEDEX, Inc.  
(MN) 100%"]
    FMEDEX_GL_L["FrontierMEDEX Limited  
(UK) 100%"]
    FMS_L["Frontier Medical Services Limited  
(UK) 100%"]
    EMCL_L["Exploration for Mine Clearance, LLC(1)  
(Iraq) 100%"]
    EBH_L["Exlogs EBT Holdings Limited  
(Jersey, Channel Islands) 100%"]
    TE_Inc["Travel Express Incorporated  
(MD) 100%"]
    MEXIS_Inc["MEDEX Insurance Services, Inc.  
(MD) 100%"]
    ELG_FZE["ELG FZE  
(Dubai) 100%"]
    ELG_L["Exploration Logistics Limited  
(UK) 100%"]
    Medakit_L["Medakit.com Limited  
(UK) 100%"]
    ELG_Inc["Exploration Logistics Group Inc.  
(DE) 100%"]
    FMEDEX_CH_Ltd["FrontierMEDEX Canada Holdings Ltd.  
(Canada) 100%"]
    Exlogs_HSE_Canada["Exlogs HSE, Inc.  
(Canada) 100%"]
    CHGI_L["Canada Health Group International Limited  
(Canada) 100%"]
    Exlogs_HSE_NF["Exlogs HSE, Inc.  
(Newfoundland) 100%"]
    FMEDEX_CH_L["FrontierMEDEX Canada Limited  
(Canada) 100%"]
    EMIS_Nigeria_L["Exploration Medical Services International (Nigeria) Limited  
(Canada) 50%"]
    ELG_NF_L["Exploration Logistics Newfoundland Limited  
(Canada) 100%"]
    ELG_NS_L["Exploration Logistics Nova Scotia Limited  
(Canada) 100%"]
    ELG_BC_L["Exploration Logistics BC Limited  
(Canada) 100%"]
    FMEDEX_US_Inc --- FMEDEX_US
    FMEDEX_US --- TE_Inc
    FMEDEX_US --- MEXIS_Inc
    FMEDEX_US --- ASI["ASI Global, LLC(1)  
(TX) 100%"]
    FMEDEX_GL --- FMG
    FMEDEX_GL --- FMEDEX_UK_L
    FMEDEX_GL --- FMEDEX_US_Inc
    FMEDEX_GL --- FMEDEX_GL_L
    FMEDEX_GL --- FMS_L
    FMEDEX_GL --- EMCL_L
    FMEDEX_GL --- EBH_L
    FMEDEX_GL_L --- ELG_FZE
    FMEDEX_GL_L --- ELG_L
    FMEDEX_GL_L --- Medakit_L
    FMEDEX_GL_L --- ELG_Inc
    FMEDEX_GL_L --- FMEDEX_CH_Ltd
    FMEDEX_CH_Ltd --- Exlogs_HSE_Canada
    FMEDEX_CH_Ltd --- CHGI_L
    Exlogs_HSE_Canada --- Exlogs_HSE_NF
    CHGI_L --- FMEDEX_CH_L
    FMEDEX_CH_L --- EMIS_Nigeria_L
    FMEDEX_CH_L --- ELG_NF_L
    FMEDEX_CH_L --- ELG_NS_L
    FMEDEX_CH_L --- ELG_BC_L
  
```

The organizational chart for UnitedHealth Group Incorporated is structured as follows:

- UnitedHealth Group Incorporated** (MN) 41-1321939
 - FMG Holdings, LLC(1)** (DE) 100%
 - FrontierMEDEX Group Limited** (UK) 100%
 - FrontierMEDEX US, Inc.** (DE) 100%
 - FrontierMEDEX, Inc.** (MN) 100%
 - Travel Express Incorporated** (MD) 100%
 - MEDEX Insurance Services, Inc.** (MD) 100%
 - ASI Global, LLC(1)** (TX) 100%
 - FrontierMEDEX UK Limited** (UK) 100%
 - FrontierMEDEX Limited** (UK) 100%
 - ELG FZE** (Dubai) 100%
 - Exploration Logistics Limited** (UK) 100%
 - Medakit.com Limited** (UK) 100%
 - Exploration Logistics Group Inc.** (DE) 100%
 - Exploration Logistics Inc.** (DE) 100%
 - Frontier Manpower Services LLC(1)** (DE) 100%
 - FrontierMEDEX Canada Holdings Ltd.** (Canada) 100%
 - Exlogs HSE, Inc.** (Canada) 100%
 - Exlogs HSE, Inc.** (Newfoundland) 100%
 - Canada Health Group International Limited** (Canada) 100%
 - FrontierMEDEX Canada Limited** (Canada) 100%
 - Exploration Medical Services International (Nigeria) Limited** (Canada) 50%
 - Exploration Logistics Newfoundland Limited** (Canada) 100%
 - Exploration Logistics Nova Scotia Limited** (Canada) 100%
 - Exploration Logistics BC Limited** (Canada) 100%
 - Frontier Medical Services Limited** (UK) 100%
 - Exploration for Mine Clearance, LLC(1)** (Iraq) 100%
 - Exlogs EBT Holdings Limited** (Jersey, Channel Islands) 100%

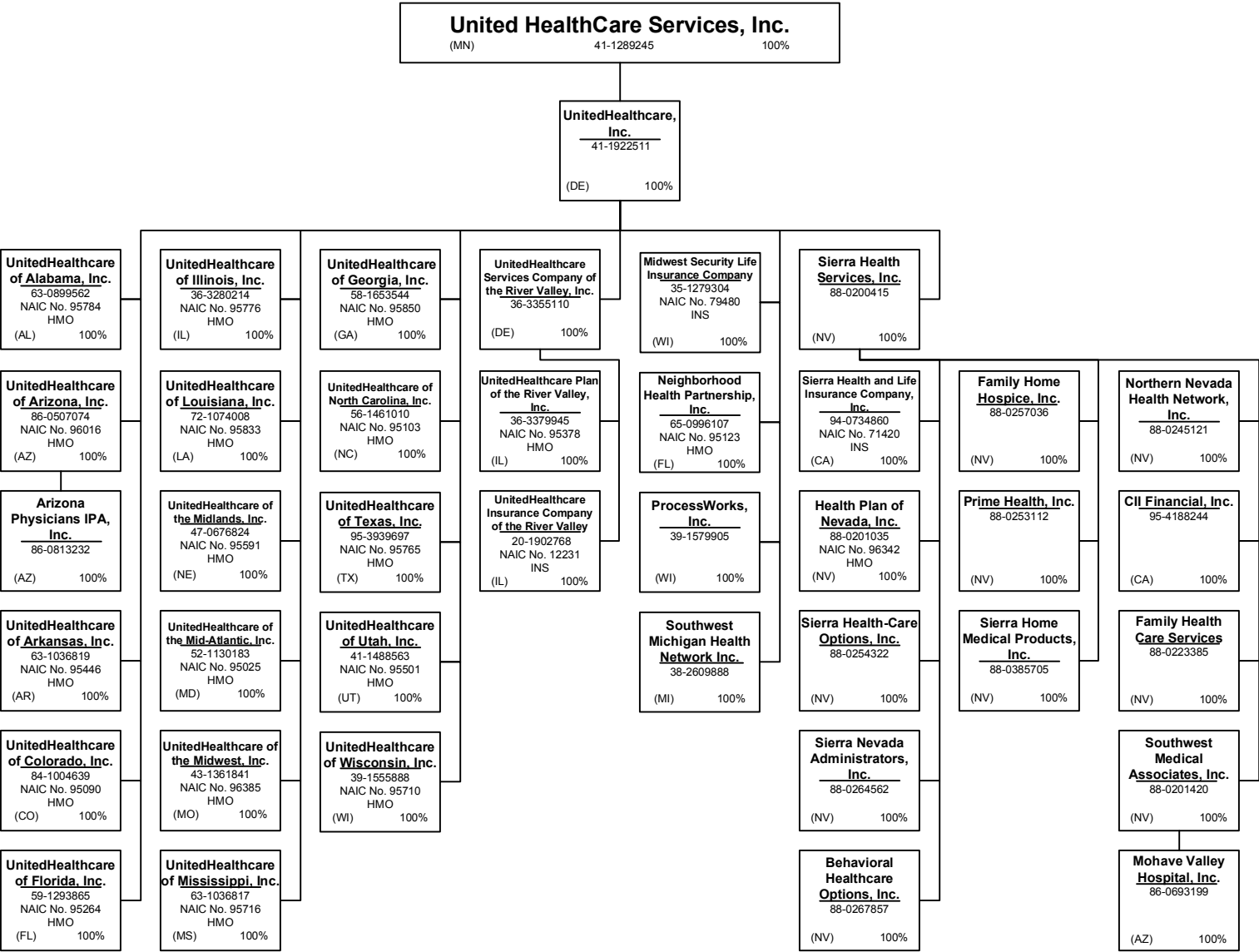
SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART



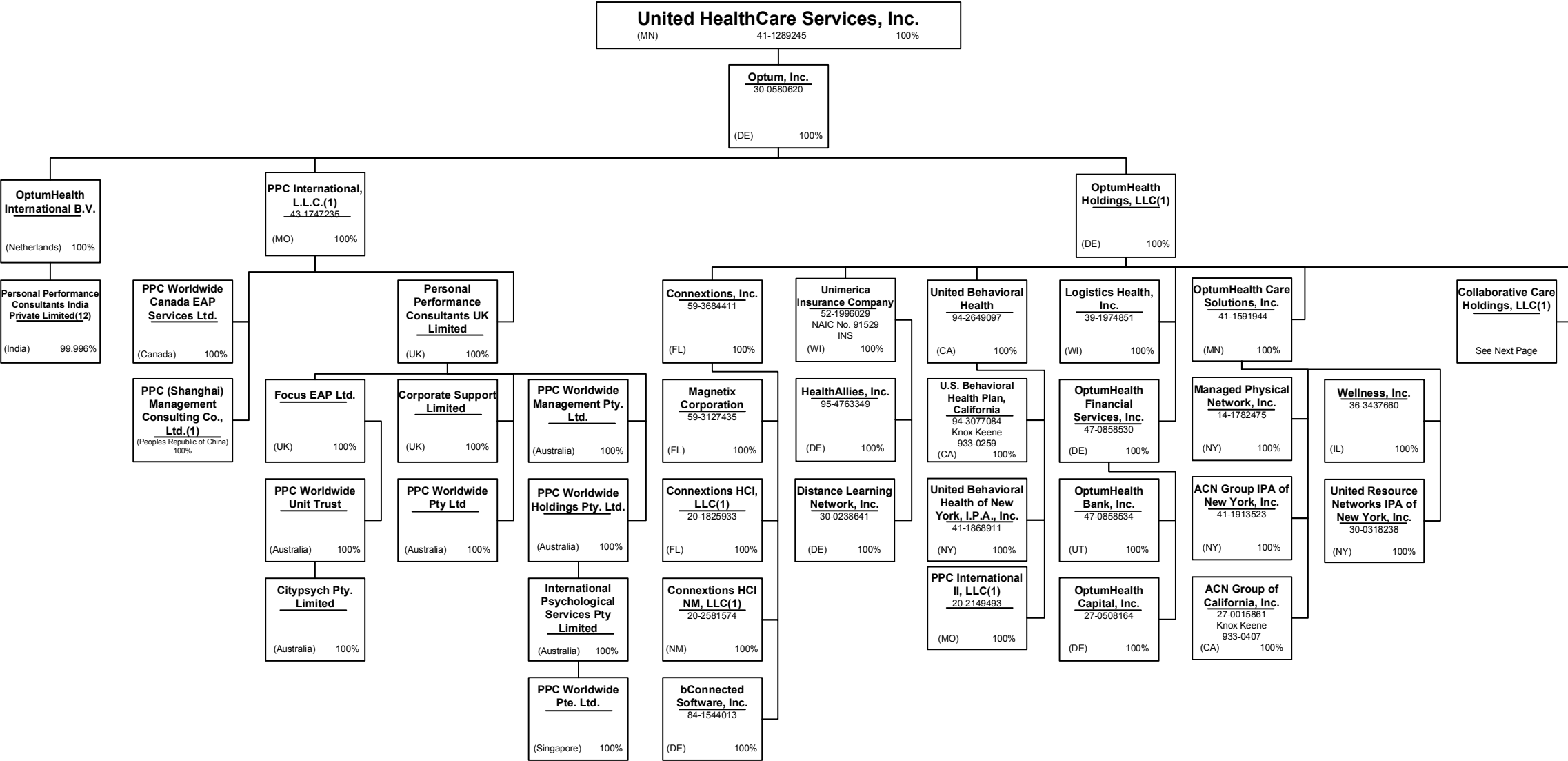
SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART

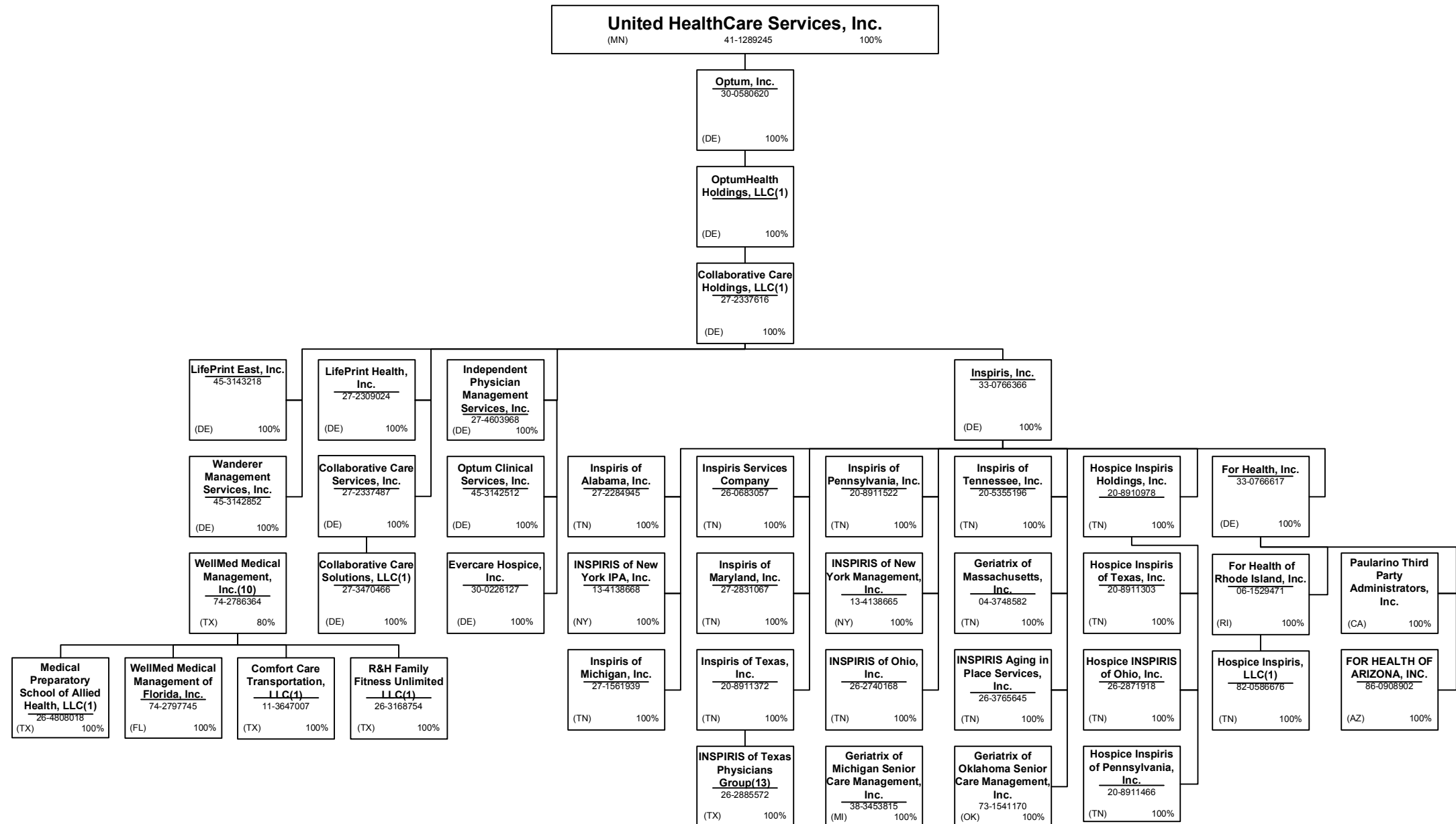


SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART

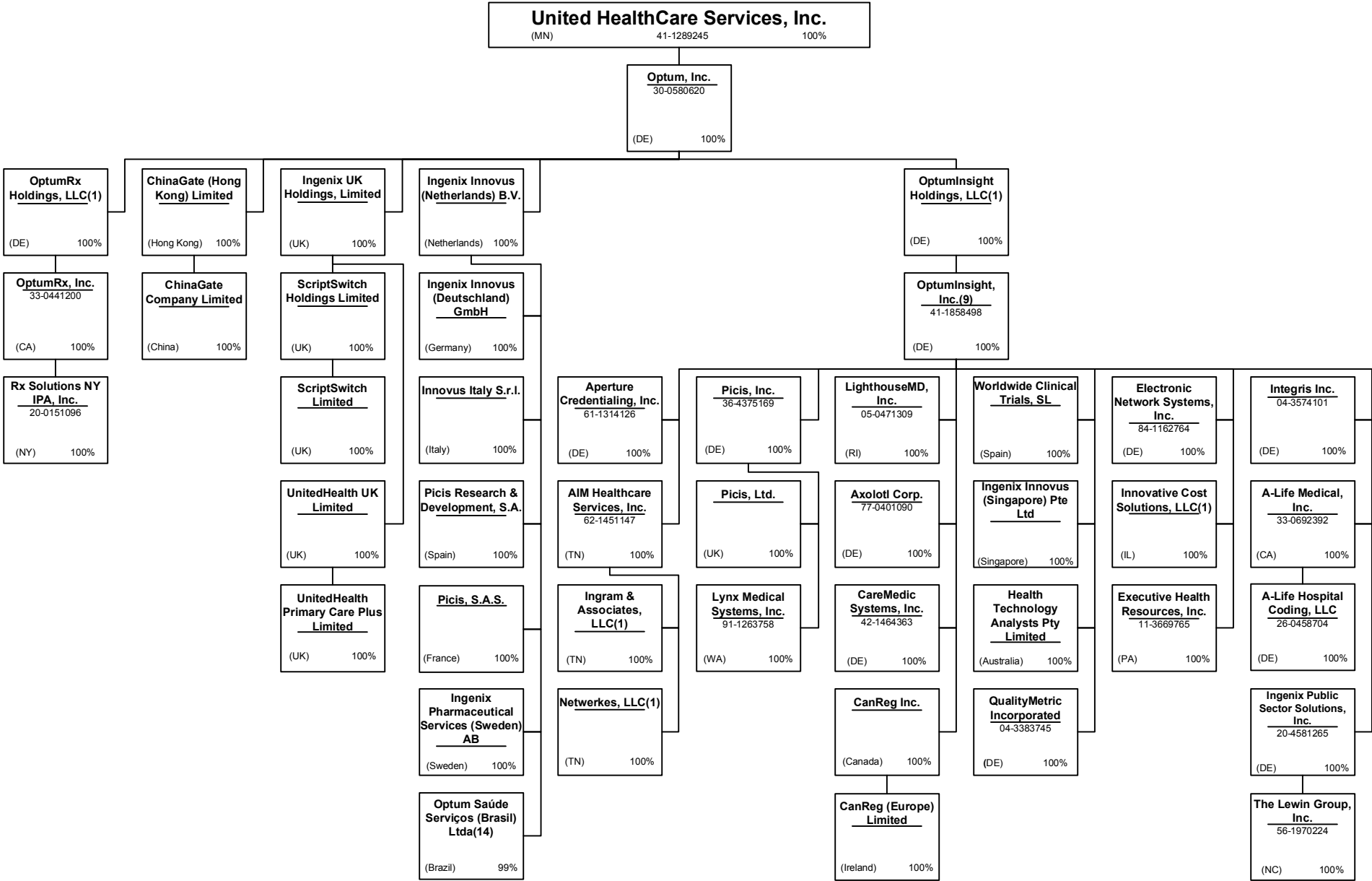


PART 1 - ORGANIZATIONAL CHART



SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART



SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART

Notes

- All legal entities on the Organization Chart are Corporations unless otherwise indicated.
- (1) Entity is a Limited Liability Company
 - (2) Entity is a Partnership
 - (3) Entity is a Non-Profit Corporation
 - (4) Control of the Foundation is based on sole membership, not the ownership of voting securities
 - (5) PacifiCare Life and Health Insurance Company is 99% owned by PacifiCare Health Plan Administrators, Inc. and 1% owned by PacifiCare Health Systems, LLC
 - (6) UnitedHealth Group Information Services Private Limited is 99.37% owned by UnitedHealth Group International B.V.. The remaining 0.63% is owned by UnitedHealth International, Inc.
 - (7) United Healthcare India Private Limited is 99.9952% owned by UnitedHealth Group International B.V. and 0.0048% owned by UnitedHealth International, Inc.
 - (8) General partnership interests are held by United HealthCare Services, Inc. (89.77%) and by UnitedHealthcare, Inc. (10.23%). United HealthCare Services, Inc. also holds 100% of the limited partnership interests. When combining general and limited partner interests, United HealthCare Services, Inc. owns 94.18% and UnitedHealthcare, Inc. owns 5.83%.
 - (9) Established a branch, Ingenix, Inc. – Abu Dhabi, located in Abut Dhabi, UAE.
 - (10) WellMed Medical Management, Inc. is 80% owned by Collaborative Care Holdings, LLC and 20% owned by WMG Healthcare Partners, L.P.
 - (11) Limited partnership interest is held by United HealthCare Services, Inc. (99%). General partnership interest is held by UMR, Inc. (1%)
 - (12) Personal Performance Consultants India Private Limited is 99.996% owned by OptumHealth International B.V. and 0.004 % owned by United Behavioral Health.
 - (13) INSPIRIS of Texas Physicians Group is a Texas non-profit (taxable) whose sole member is Inspiris of Texas, Inc.
 - (14) Optum Saúde Serviços (Brasil) Ltda. Is 99% owned by Ingenix Innovus (Netherlands) B.V. The remaining 1% is owned by OptumInsight, Inc.

OVERFLOW PAGE FOR WRITE-INS

Additional Write-ins for Underwriting and Investment Exhibit Part 3 Line 25

| | Claim Adjustment Expenses | | 3
General
Administrative
Expenses | 4
Investment
Expenses | 5
Total |
|--|--------------------------------------|--|--|-----------------------------|------------|
| | 1
Cost
Containment
Expenses | 2
Other Claim
Adjustment
Expenses | | | |
| 2504. Miscellaneous Losses | 0 | (75) | (38) | 0 | (113) |
| 2505. Sundry General Expenses | 0 | (390) | (202) | 0 | (592) |
| 2597. Summary of remaining write-ins for Line 25 from
overflow page | 0 | (465) | (240) | 0 | (705) |

ALPHABETICAL INDEX

ANNUAL STATEMENT BLANK

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ANNUAL STATEMENT BLANK (Continued)

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